



# MERIX

## Product and Policy Guide

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MERIX Financial mortgages are facilitated through Paradigm Quest Inc.

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## Fixed Rate Mortgage

### Product Description

- The Fixed Rate Mortgage is a closed mortgage that offers clients the comfort of knowing their monthly payment will not change throughout the term of the mortgage.

### Terms

- 6 mos, 1 year, 2 year, 3 year, 4 year, 5 year, 6 year, 7 year and 10 year

### Qualifying Interest Rate

- The qualification rate for high ratio (loan to value > 80%) fixed rate with terms less than 5 years will be qualified based on the greater of the benchmark 5 year fixed rate or contract rate.
- The qualification rate for high ratio (loan to value > 80%) fixed with a term of 5 years or more, is the contract interest rate.
- The benchmark rate is posted on the following website <http://www.bankofcanada.ca/en/rate/interest-look.html>
- For conventional (loan to value <80%) fixed rate terms less than 3 years, the qualifying interest rate is the greater of the 3 year fixed rate or the contract rate
- For conventional (loan to value <80%) fixed rate terms of three years or more, the contract rate is used.

### Payment Frequency

- Accelerated Weekly
- Accelerated Bi-Weekly
- Monthly
- Semi-Monthly

### Prepayment Policy

- Prepay up to 20% of the Original Principal Balance each year based on the anniversary of the loan (minimum payment is \$1000).
- Increase payments by up to 20% of the original registered amount each anniversary year.
- Prepay or increase payments in combination – combined prepayment must be within 20% of the original principle balance

### Minimum Credit Requirements

- 600+ up to 80% loan to value purchase and refinance
- 620+ (program specific requirements apply) 80.01% to 95% loan to value purchase
- Refinance transactions 80.01% to 85% 640+
- Fully qualifying minimum two years credit history for all applicants
- Note product and program specific requirements apply

### Refinance Additional Funds

- Maximum \$200,000 for loan to value ratios up to 85%

### Amortization

- Up to 30 years high ratio (additional Mortgage Insurer Premium applies)
- Up to 40 years conventional

## Units

- Up to 95% loan to value for 1 – 2 units for purchase, up to 85% loan to value for 1 – 2 units for refinance. Up to 90% loan to value for 3 – 4 units for purchase, up to 85% loan to value for 3 – 4 units for refinance

## Pre-approvals

- Permitted

## Prepayment Penalty

### For terms 5 years or less

- Greater of IRD or 3 month's Interest. IRD is based on difference between customer rate and the then current interest rate offered by MERIX for a term closest to the term remaining on the mortgage.

### Term more than 5 years

- If you have a fixed interest rate on your mortgage and a term greater than 5 years and (a) prepayment occurs within the first 5 years of the term, payment of a prepayment charge equal to the GREATER of the interest rate differential (IRD) or 3 months interest calculated on the outstanding loan amount, and (b) if prepayment occurs after the first 5 years of the term, payment of a prepayment charge of 3 months interest calculated on the outstanding loan amount

## Interest Rate

- Fixed for the term of the mortgage.
- Interest is compounded semi-annually, not in advance.

## Loan to Value

- Up to 95% loan to value for 1 – 2 units for purchase, up to 85% loan to value for 1 – 2 units for refinance. Up to 90% loan to value for 3 – 4 units for purchase, up to 85% loan to value for 1 – 2 units for refinance, 80% conventional

## Insurance Premium

- Mortgage Insurer Premiums calculated on Principal Balance based on the loan-to-value ratio



## Adjustable Rate Mortgage

### Product Description

- The Adjustable Rate Mortgage (ARM) is a closed mortgage that offers your customers the ability to take advantage of low, short-term interest rates while offering them the peace of mind that they can convert to a Fixed Rate Mortgage at any time during the term (see below).

### Terms

- 3 year term, 5 year term

### Payment Frequency

- Accelerated Weekly
- Accelerated Bi-Weekly
- Monthly
- Semi-Monthly

### Qualifying Interest Rate

- The qualification rate for high ratio (loan to value > 80%) ARM rate will be qualified based on the greater of the benchmark 5 year fixed rate or contract rate.
- The benchmark rate is posted on the following website <http://www.bankofcanada.ca/en/rate/interest-look.html>
- For conventional (loan to value < 80%) ARM applications, your customer will be qualified on the greater of the current MERIX 3 year Fixed Rate or the current ARM rate.

### Prepayment Policy

- Prepay up to 20% of the Original Principal Balance each year based on the anniversary of the loan (minimum payment is \$1000).
- Increase payments by up to 20% of the original registered amount each anniversary year.
- Prepay or increase payments in combination – combined prepayment must be within 20% of the original principle balance

### Amortization

- Up to 30 years high ratio (additional Mortgage Insurer Premium applies)
- Up to 40 years conventional

### Units

- Up to 95% loan to value for 1 – 2 units for purchase, up to 85% loan to value for 1 – 2 units for refinance. Up to 90% loan to value for 3 – 4 units for purchase, up to 85% loan to value for 3 – 4 units for refinance

### Payment Amount

- Your customer's payment amount is based on their current interest rate and amortization.

### Conversion to Fixed Rate

- Your customer can convert their ARM to a MERIX Closed Fixed Rate Mortgage at the then current MERIX pricing
- The new fixed rate term must be greater or equal to the remaining term left on their ARM.
- No rate hold is available on conversions.

## Pre-approvals

- Permitted

## Prepayment Penalty

### 3 or 5-year term

- 3 months interest at the current customer rate on the prepaid amount that exceeds the annual prepayment allowance.

## Minimum Credit Requirements

- 600+ up to 80% loan to value purchase and refinance
- 620+ (program specific requirements apply) 80.01% to 95% loan to value purchase
- **Refinance transactions 80.01% to 85% 640+**
- Fully qualifying minimum two years credit history for all applicants
- Note product and program specific requirements apply

## Refinance Additional Funds

- Maximum \$200,000 for **loan to value ratios up to 85%**

## Interest Rate

### Adjustable Rate

- Based on the current Prime Rate of MERIX. Your customers will be notified of any interest rate changes in advance.
- Interest is compounded monthly, not in advance.

## Rate Policy

- Interest rate at funding will be current ARM rate at 5 business days prior to funding.

## Loan to Value

- Up to 95% loan to value for 1 – 2 units for purchase, **up to 85% loan to value for 1 – 2 units refinance.** Up to 90% loan to value for 3 – 4 units for purchase, **up to 85% loan to value for 1 – 2 units refinance,** 80% conventional

## Insurance Premium

- Mortgage Insurer Premiums are calculated on Principal Balance based on the loan-to-value ratio



## The 50/50 Wise Mortgage

### Product Description

- A product that lets borrowers take advantage of low fixed rates and low Adjustable rate products all in one mortgage (1 collateral charge). 50% of the mortgage is in a 5 year fixed rate and 50% of the mortgage is in a 5 year Adjustable rate. The Adjustable rate can be locked in at any time to a fixed rate for the remainder of the term of the mortgage.

### Terms

- 5 year term

### Payment Frequency

- Accelerated Weekly
- Accelerated Bi-Weekly
- Monthly
- Semi-Monthly
- Borrowers can choose to accelerate payments on either portion after the closing of the mortgage. At closing, payment frequency on each portion must match
- NOTE: Two Payments will come out of the borrowers' account one for the fixed rate portion and one for the Adjustable Rate (ARM) portion.

### Qualifying Interest Rate

- The qualification rate for high ratio (loan to value > 80%) will be qualified based on the greater of the benchmark 5 year fixed rate or contract rate.
- The benchmark rate is posted on the following website <http://www.bankofcanada.ca/en/rate/interest-look.html>

### Conventional

- For conventional (loan to value <80%) will be qualified utilizing the lender's 3 year fixed rate.

### Prepayment Policy

Each portion of the 50/50 mortgage will be treated separately in terms of our prepayment policy, therefore, each portion has the following prepayment privileges:

- Prepay up to 20% of the Original Principal Balance each year based on the anniversary of the loan (minimum payment is \$1000).
- Increase payments by up to 20% of the original registered amount each anniversary year.
- Prepay or increase payments in combination – combined prepayment must be within 20% of the original principle balance

### Amortization

- Minimum 20 year amortization
- Maximum 30 years high ratio (additional Mortgage Insurer Premium applies)
- Maximum 40 years conventional

### Units

- Up to 95% loan to value for 1 – 2 units for purchase, up to 85% loan to value for 1 – 2 units refinance. Up to 90% loan to value for 3 – 4 units for purchase, up to 85% loan to value for 3 – 4 units refinance

### Payment Amount

- Your customer's payment amount is based on their current interest rate and amortization for each portion.

### Conversion to Fixed Rate

- Your customer can convert their ARM portion to a MERIX Closed Fixed Rate Mortgage at the then current MERIX pricing
- The new fixed rate term must be equal to the remaining term left on their ARM.
- No rate hold is available on conversions.

### Pre-approvals

- No pre-approvals permitted for this program

### Prepayment Penalty

#### Adjustable Rate

- 3 months interest at the current customer rate on the prepaid amount that exceeds the annual prepayment allowance.

#### Fixed Rate

- Greater of IRD or 3 month's Interest. IRD is based on difference between customer rate and the then current interest rate offered by MERIX for a term closest to the term remaining on the mortgage.

### Minimum Credit Requirements

- 600+ up to 80% loan to value purchase and refinance
- 620+ (program specific requirements apply) 80.01% to 95% loan to value purchase
- **Refinance transactions 80.01% to 85% 640+**
- **Note product and program specific requirements apply**
- Applicants must have a minimum two years credit history on Credit Bureau
- No prior bankruptcies
- Non-residing guarantors are not permitted. Non-residing co-borrowers are acceptable (must be an immediate family member and on title)
- Closing costs of at least 1.5 % may be borrowed provided any associated repayments are included in the TDS calculation based on a 12-month repayment period.

### Property Requirements

- Property must meet municipal zoning/safety by-laws
- New construction/existing properties
- Fully self-contained units
- Estimated remaining property (economic) life must equal or exceed the amortization of the loan
- Min square footage: House is  $\geq$  800 square feet, Condo is  $\geq$  500 square feet
- **Ineligible Property Types:** Time-share interests, Type B vacation homes, commercial zoning, Quarter share /shared ownership

### Refinance Additional Funds

- Maximum \$200,000 for **loan to value ratios up to 85%**

### Interest Rate

#### Adjustable Rate

- Based on the current Prime Rate of MERIX plus or minus applicable premium or discount to current MERIX prime rate. Your customers will be notified of any interest rate changes in advance.
- Interest is compounded monthly, not in advance.

### **Fixed Rate**

- Fixed for the term of the mortgage.
- Interest is compounded semi-annually, not in advance.

### **Loan to Value**

- Up to 95% loan to value for 1 – 2 units for purchase, up to 85% loan to value for 1 – 2 units refinance. Up to 90% loan to value for 3 – 4 units for purchase, up to 85% loan to value for 1 – 2 units refinance, 80% conventional

### **Insurance Premium**

- Mortgage Insurer Premiums are calculated on Principal Balance based on the loan-to-value ratio

### **Eligible Transactions**

- MERIX and Genworth: Purchase, Refinance, Business for Self Fully Qualified, Second Homes, Rental Properties, Owner occupied 3-4 unit properties, Flexible Down Payment
- MERIX and CMHC: Purchase, Refinance, Business for Self, Second Homes, Rental Properties, Owner occupied 3-4 unit properties, Flexible Down Payment, Business For Self Simplified, Business for Self Fully Qualified

### **Ineligible Transactions**

- MERIX and Genworth: Family Plan, New to Canada, Vacation homes, Cash Back, Transfers
- MERIX and CMHC: Newcomers to Canada, Non-permanent residents, Vacation homes, Cash Back, Transfers



## **Home Equity Line of Credit**

### **Product Description**

- The MERIX Home Equity Line of Credit Product (HELOC) provides the ultimate financing solution. Borrowers have the flexibility of a revolving line of credit and if they choose they

can have multiple components all under one credit limit.

**Your borrowers have the choice of having a:**

- 5 year Fully revolving HELOC
- HELOC with a 5 year Adjustable Rate Portion
- HELOC with a 5 year Fixed Rate portion
- OR a HELOC with a revolving portion, a 5 year Fixed Rate Portion and a 5 year Adjustable Rate Portion

Payment and Prepayment options for the locked in portions are subject to the specific policies for each product. Note minimum locked in amount is \$25,000. See locking in portions after funding section for details.

**Terms**

- 5 year term only

**Qualifying Interest Rate**

**Conventional**

- For conventional (loan to value <80%) will be qualified utilizing the greater of the Merix 3 year fixed rate or the contract rate.

**Payment Frequency/Payments**

- Accelerated Weekly
- Accelerated Bi-Weekly
- Monthly
- Semi-Monthly
- Revolving portion is paid monthly only
  
- Should your borrower have a locked in ARM or fixed rate portion or both, the payments will be based on the payment options available for these products. See fixed rate and Adjustable Rate sections of this guide for details. Note the maximum amortization for fixed rate and adjustable rate portions is 25 years. The revolving portion must amortize over 20 years after the initial 5 year interest only period.
- Payments will be drawn from the borrowers account based on the number of portions included in their HELOC account. (ie) 3 separate portions will equal 3 separate payments.
- **Revolving portion or fully revolving payment:** The revolving facility is paid monthly. The minimum monthly payment required each month is an interest only payment based on the then current interest rate.
- Should your borrowers wish to pay more than the minimum amount required they can contact the customer service department to set up fixed amount monthly payments. Borrowers may also opt to contact us and authorize us to direct debit their regular payment account as a lump sum payment against the Principal Balance outstanding.
- For HELOCs with multiple components, the revolving portion of the HELOC will increase as the fixed and adjustable rate portions are paid down.

**Access to Funds**

- MERIX will draw down the customer's HELOC on closing if requested by the solicitor or closing service.
- Subsequent draws against the revolving line can be made by downloading and completing the authorization form from our website and faxing it to our customer service centre: <http://www.merixfinancial.com/pdfs/CustomerChangeLOC.pdf>. Typically, the funds will be received within 2 business days of the request being received by MERIX.

## Amortization/Repayment Requirements

- Full repayment required within 25 years of loan initiation (maximum amortization is 25 years including any locked-in portions).
- At the end of the first 5 year interest only period on the revolving portion, the customer has the following options:
  - The outstanding balance in the revolving portion begins to amortize and payments are based on a 20 year amortizing principal and interest repayment OR
  - The borrower may choose another 5 year interest only period. At the end of the second 5 year interest only period the then outstanding balance in the revolving portion begins to amortize and payments are based on a 15 year amortizing principal and interest repayment, OR
  - The borrower may request to be re-qualified for another 5 year interest only period at a 25 year amortization. (5/20 option)

\*The above options are all subject to product availability at the time the HELOC matures.

## Units

- Up to 80% loan to value for 1 – 4 unit residential properties.
- Note maximum 2 units with 1 unit owner occupied for Business for self transactions.
- Maximum 1 unit for second homes.

## Locking In Portions after Funding

- The minimum locked in amount is \$25,000. Should your borrower not have \$25,000 remaining on their revolving portion we will allow this amount to be locked in.
- Revolving portions and ARM portions may be locked in.
- Your borrower can convert their ARM portion to a MERIX Closed Fixed Rate Mortgage at the then current MERIX pricing
- Borrowers can also convert revolving portions into fixed rate or ARM rates at the then current MERIX pricing
- The new fixed rate term or ARM term must be equal to the remaining term left on the ARM/HELOC. All maturity dates must match and mature at the end of the 5 year term.
- No rate hold is available on conversions.

## Pre-approvals

- No pre-approvals permitted for this program

## Prepayment Penalty

In the event of payout (mortgage is not ported or refinanced) prior to maturity the applicable penalty is the GREATER of the sum of the penalty(ies) applicable to the locked in portions or the penalty based on the authorized global HELOC amount.

### **Greater of the sum of the locked in portion(s) penalty(ies):**

1. For fixed rate locked-in portion the greater of 3 months interest OR interest rate differential. IRD is based on difference between customer rate and the then current interest rate offered by MERIX for a term closest to the term remaining on the mortgage.
2. For ARM locked in portions 3 months interest. 3 months interest at the current customer rate on the prepaid amount that exceeds the annual prepayment allowance.

### **OR:**

1. An administration fee of 1.5% of the authorized total loan amount would apply on a pro rated basis based on the number of months remaining on the initial term. The applicable formula would be 0.025% of the authorized global HELOC amount times the number of months remaining.

**Note:** Balances can be drawn up or down without penalty on revolving portions.

### Minimum Credit Requirements

- 680+ primary borrower, 650+ co-borrower for fully qualifying, rental and Business for self purchase and refinance applications
- **Note product and program specific requirements outside of beacon score apply**
- All parties to the transaction must sign the line of credit agreement – will require spouse's application, credit bureau and to sign line of credit agreement (does not need to be registered on title).
- Applicants must have a minimum two years credit history on Credit Bureau
- No prior bankruptcies or judgments
- No R3s in the past 24 months
- No mortgage, installment or revolving credit delinquencies appearing on the credit bureau in the past 12 months
- Down Payment from own resources
- Non-residing guarantors are not permitted. Non-residing co-borrowers are acceptable (must be an immediate family member and on title)
- Closing costs of at least 1.5 % may be borrowed provided any associated repayments are included in the TDS calculation based on a 12-month repayment period.
- Where beacon < 680: GDS = 35%; TDS = 42%
- Where Beacon 680+: TDS = 44%, there is no GDS requirement.
- Debt service ratios must be calculated based on the amortizing principal and interest payments required to repay the insured amount over the life of the loan
- See Rental property program for treatment of rental income and GDS/TDS calculation
- Mortgage is not assumable

### Property Requirements

- Property must meet municipal zoning/safety by-laws
- New construction/existing properties
- Fully self-contained units
- Estimated remaining property (economic) life must equal or exceed the amortization of the loan
- Min square footage: House is  $\geq 800$  square feet, Condo is  $\geq 500$  square feet
- **Ineligible Property Types:** Time-share interests, vacation homes, commercial zoning, Quarter share /shared ownership Fractional Interests, Co-operative Housing, Rental Pools, Life Lease Properties, Floating Homes, Boarding Houses/Rooming Houses, BC Leaky Condos, Heritage Homes, Log homes, Water access only, any properties with restrictive covenants

### Maximum Loan Amounts

- Maximum \$1,000,000 loan amount for conventional financing. Loan amounts above \$1,000,000 require borrower paid insurance premium.
- Program specific guidelines apply

### Refinance Additional Funds

- Maximum additional funds \$200,000 up to 80% loan to value

### Interest Rate

#### Adjustable Rate

- Based on the current Prime Rate of MERIX plus or minus applicable premium or discount

to current MERIX prime rate. Your customers will be notified of any interest rate changes in advance.

- Interest is compounded monthly, not in advance.

#### **Fixed Rate**

- Fixed for the term of the mortgage.
- Interest is compounded semi-annually, not in advance.

#### **Revolving Interest Rate**

- Based on the current Prime Rate of MERIX plus or minus applicable premium or discount to current MERIX prime rate.
- The interest rate on the revolving portion of the HELOC changes the following day after a prime rate change and can change without notice.
- Interest is calculated daily, accrued interest will be added to and form part of the Outstanding Balance on the 1st day of the next following Statement period. Since interest is charged on the Outstanding Balance each day, this means that compound interest is charged daily beginning on the 1st day of the next following Statement period even though you may not be required to make your Minimum Monthly Payment until a later date as shown on your Statement.

#### **Loan to Value**

- Up to 80% loan to value 1 – 4 units.
- Business for Self Maximum 2 units with 1 unit owner occupied.
- Maximum 1 unit for second homes.

#### **Insurance Premium**

- Not applicable for conventional HELOC to 80% loan to value. Borrower paid premium for loan amounts above \$1,000,000.

#### **Port, Port and Refinance Transactions**

- Borrower can port mortgage to new property and keep remaining term, as long as property qualifies. Collateral charge must be discharged and re-registered on the new property at the cost of the borrower.
- For an increase to the HELOC:
  1. Fixed Rate Portion: if the fixed rate portion is increased, the rate applicable would be based on a blend based of the existing rate and the then current HELOC fixed rate.
  2. ARM Portion: if the ARM portion is increased, the rate applicable would be the greater of the existing rate or the then current HELOC ARM rate. No Blends permitted.
  3. Revolving portion: the revolving portion would assume the then current revolving rate for HELOC.
- There are no penalties charged to the borrower for adding additional funds and maintaining the existing maturity date
- Revolving and locked in portion maturity dates must remain the same

#### **Eligible Transactions**

- MERIX and CMHC: Purchase, Refinance, Business for Self Simplified, Business for Self Fully Qualifying, Second Homes, Rental Properties, Owner occupied 3-4 unit properties
- See program specific guidelines for Non-Owner Occupied rental properties, second homes and business for self transactions

#### **Ineligible Transactions**

- MERIX and CMHC: Family Plan, Newcomers to Canada, Non-permanent residents, Vacation homes, Cash Back, Transfers



### **Purchase Plus Improvements**

#### **Product Description**

- Suited to borrowers that require improvements to their newly purchased home. The purchase and the improvements are combined into one mortgage and a single advance.
- Improvements cannot exceed 10% of the initial value of the property or \$40,000

#### **Terms And Rate Type**

- 6 mos, 1 year, 2 year, 3 year, 4 year, 5 year, 6 year, 7 year and 10 year fixed rate term, 3 year ARM, 5 year ARM

### Qualifying Rate

- See Fixed Rate or adjustable rate mortgage section.

### Payment Frequency

- Accelerated Weekly
- Accelerated Bi-Weekly
- Monthly
- Semi-Monthly

### Prepayment Policy

- Prepay up to 20% of the Original Principal Balance each year based on the anniversary of the loan (minimum payment is \$1000).
- Increase payments by up to 20% of the original registered amount each anniversary year.
- Prepay or increase payments in combination – combined prepayment must be within 20% of the original principle balance

### Amortization

- Up to 30 years high ratio
- Up to 40 years conventional

### Borrower Qualification

- Maximum GDS/TDS:
- Where beacon < 680: GDS = 35%; TDS = 42%
- Where Beacon 680+: TDS = 44%, there is no GDS requirement.
- Applicants must have a minimum two years credit history on Credit Bureau
- Existing requirements related to income, down payment and credit worthiness apply
- Gifted down payments from immediate family member can be used, provided they are properly verified, non-repayable and all other characteristics of the borrower are acceptable
- Equity at sale closing includes the equity to close the sale plus additional equity for improvement portion
- Government grants may be considered if pre-approved by insurer
- For specific qualifications related to three four unit properties see owner occupied rental program details
- Where down payment is borrowed, repayments must be included in the TDS calculation.
- No 3rd party or non-resident guarantors for qualification purposes. Non-residing co-borrowers are acceptable (must be an immediate family member and on title).
- Borrower demonstrates ability to cover closing costs, including mortgage insurance application fees and sales taxes if applicable, of at least 1.5% of the purchase price. These funds may be borrowed provided any associated repayments are included in the TDS calculation based on a 12-month repayment period.

### Units

- Maximum 2 units up to 95% loan to value
- Maximum 4 units up to 90% loan to value

### Pre-approvals

- Permitted.

### Prepayment Penalty

### For Fixed Rate terms 5 years or less

- Greater of IRD or 3 month's Interest. IRD is based on difference between customer rate and the then current interest rate offered by MERIX for a term closest to the term remaining on the mortgage.

### **Term more than 5 years**

- If you have a fixed interest rate on your mortgage and a term greater than 5 years and (a) prepayment occurs within the first 5 years of the term, payment of a prepayment charge equal to the GREATER of the interest rate differential (IRD) or 3 months interest calculated on the outstanding loan amount, and (b) if prepayment occurs after the first 5 years of the term, payment of a prepayment charge of 3 months interest calculated on the outstanding loan amount

### **3 and 5-year ARM term**

- 3 months interest at the current customer rate on the prepaid amount that exceeds the annual prepayment allowance.

### **Minimum Credit Requirements**

- 620+ minimum beacon score
- Applicants must have a minimum two years credit history on Credit Bureau
- Program specific guidelines apply

### **Interest Rate**

- 6 mos, 1 year, 2 year, 3 year, 4 year, 5 year, 6 year, 7 year and 10 year MERIX posted Fixed Rate, 3 year ARM posted, 5 year ARM posted

### **Loan to Value & Improvement Guidelines**

- Up to 95% insured for 1 – 2 units (based on current (as-is) market value
- Up to 90% insured for 3 – 4 units
- Lending value is based on the *lesser* of the improved property value or the sum of the purchase price plus direct costs associated with the improvements
- Improvements cannot exceed 10% of the initial value or \$40,000
- Equity at sale closing includes the equity to close the sale plus additional equity for improvement portion.

### **Insurance Premium**

- Mortgage Insurer Premiums are calculated on Principal Balance based on the loan-to-value ratio

### **Process**

- Estimates will be required for improvements up front on each purchase plus improvements transaction.
- Improvements must be completed within 120 days at which time an inspection report will be ordered to verify the improvements are complete.
- The inspection report is to verify that the improvements are complete prior to advancing funds.
- Note an inspection report is only required for improvements of \$15,000 or greater. If improvements are \$15,000 and less, then paid invoices will suffice as proof of completion.
- Improvements must add value to the underlying security to qualify for the purchase plus improvements program.

### **Advances**

- Up to 95% Loan to value of current (as is) market value

- Single Advances Only

### Eligible Transactions

- MERIX and Genworth: Purchase, Second Homes, Rental Properties, Owner occupied 3-4 unit properties, Flexible Down Payment, Business for Self Fully Qualified
- MERIX and CMHC: Purchase, Second Homes, Rental Properties, Owner occupied 3-4 unit properties, Flexible Down Payment, Business for Self Fully Qualified

### Ineligible Transactions

- MERIX and Genworth: Refinance, Business for Self Simplified, Vacation homes, Cash Back
- MERIX and CMHC: Refinance, Business for Self/Simplified, Vacation homes, Cash Back



## Flexible Down Payment

### Product Description

- This program is suited to home buyers who have established an excellent credit history but have not yet accumulated the required down payment or have chosen to use their savings for other asset enhancing purposes.

### Terms And Rate Type

- 6 mos, 1 year, 2 year, 3 year, 4 year, 5 year, 6 year, 7 year and 10 year fixed rate term, 3 year ARM, 5 year ARM

### Qualifying Rate

- See Fixed Rate or adjustable rate mortgage section.

### Payment Frequency

- Accelerated Weekly
- Accelerated Bi-Weekly
- Monthly
- Semi-Monthly

### Prepayment Policy

- Prepay up to 20% of the Original Principal Balance each year based on the anniversary of the loan (minimum payment is \$1000).
- Increase payments by up to 20% of the original registered amount each anniversary year.
- Prepay or increase payments in combination – combined prepayment must be within 20% of the original principle balance

### Amortization

- Up to 30 years high ratio and conventional (additional Mortgage Insurer Premium applies for high ratio)

### Borrower Qualification

- Maximum GDS/TDS:
- Where beacon < 680: GDS = 35%; TDS = 42%
- Where Beacon 680+: TDS = 44%, there is no GDS requirement.
- Applicants must have a minimum two years credit history on Credit Bureau
- Where down payment is borrowed, repayments must be included in the TDS calculation.
- No 3rd party or non-resident guarantors for qualification purposes. Non-residing co-borrowers are acceptable (must be an immediate family member and on title).
- Borrower demonstrates ability to cover closing costs, including mortgage insurance application fees and sales taxes if applicable, of at least 1.5% of the purchase price. These funds may be borrowed provided any associated repayments are included in the TDS calculation based on a 12-month repayment period.

### Units

- Maximum 2 units

### Pre-approvals

- Permitted.

### Eligible Equity Sources

- Equity borrowed from any source that is arm's length to the purchase or sale transaction, including personal loans, lines of credit or credit cards. Loan repayments must be included in the TDS calculation.
- Gifts or grants from any party that is arm's length to the property purchase transaction. Note: Funds borrowed against proven assets and gifts from immediate relatives are acceptable as traditional down payment sources and need not be submitted under the Flexible Down Payment program.

### Ineligible Equity Sources

- Builder incentives or loans, gifts from third parties that receive payment from the vendor or builder, third parties that receive payment from the vendor or the builder
- Realtor/ mortgage broker incentives or loans to the borrower that impact the property selling price

- Loans/ gifts from the seller of the property (the vendor)

### **Prepayment Penalty**

#### **For Fixed Rate terms 5 years or less**

- Greater of IRD or 3 month's Interest. IRD is based on difference between customer rate and the then current interest rate offered by MERIX for a term closest to the term remaining on the mortgage.

#### **Term more than 5 years**

- If you have a fixed interest rate on your mortgage and a term greater than 5 years and (a) prepayment occurs within the first 5 years of the term, payment of a prepayment charge equal to the GREATER of the interest rate differential (IRD) or 3 months interest calculated on the outstanding loan amount, and (b) if prepayment occurs after the first 5 years of the term, payment of a prepayment charge of 3 months interest calculated on the outstanding loan amount

#### **3 year or 5-year ARM term**

- 3 months interest at the current customer rate on the prepaid amount that exceeds the annual prepayment allowance.

### **Minimum Credit Requirements**

- 90.01% - 95% loan to value – 650+
- Applicants must have a minimum two years credit history on Credit Bureau

### **Interest Rate**

- 6 mos, 1 year, 2 year, 3 year, 4 year, 5 year, 6 year, 7 year and 10 year MERIX posted Fixed Rate, 5 year ARM posted

### **Loan to Value**

- Up to 95% insured

### **Insurance Premium**

- Mortgage Insurer Premiums are calculated on Principal Balance based on the loan-to-value ratio

### **Eligible Transactions**

- MERIX and Genworth: Purchase, Purchase Plus Improvements, Second Homes, Business for Self Fully Qualified
- MERIX and CMHC: Purchase, Purchase with Improvements, Second Homes, Business for Self Fully Qualified

### **Ineligible Transactions**

- MERIX and Genworth: Owner occupied 3-4 unit properties, refinance, Vacation homes, Rental properties, Refinance, Family Plan, New To Canada
- MERIX and CMHC: Owner occupied 3-4 unit properties, Refinance, Vacation homes, Rental properties, Non-Permanent Residence, Newcomers to Canada, Business for Self Simplified



## Cash Back

### Product Description

- The MERIX Cash Back Equity Program is a closed mortgage that offers your customers the ability to receive 5% of the mortgage amount back in cash. The Cash Back Equity mortgage gives your customers peace of mind knowing what their payments will be for the entire term of the mortgage, while offering competitive prepayment privileges so they can pay off their mortgage faster.

### Terms And Rate Type

- 5 year fixed Cashback rate

## Qualifying Rate

- See Fixed Rate section

## Payment Frequency

- Accelerated Weekly
- Accelerated Bi-Weekly
- Monthly
- Semi-Monthly

## Prepayment Policy

- Prepay up to 20% of the Original Principal Balance each year based on the anniversary of the loan (minimum payment is \$1000).
- Increase payments by up to 20% of the original registered amount each anniversary year.
- Prepay or increase payments in combination – combined prepayment must be within 20% of the original principle balance

## Amortization

- Up to 30 years high ratio and conventional (additional Mortgage Insurer Premium applies for high ratio)

## Borrower Qualification

- Maximum GDS/TDS:
- Where beacon < 680: GDS = 35%; TDS = 42%
- Where Beacon 680+: TDS = 44%, there is no GDS requirement.
- Minimum beacon score of 650+
- Applicants must have a minimum two years credit history on Credit Bureau
- No prior bankruptcies
- No 3rd party or non-resident guarantors for qualification purposes. Non-residing co-borrowers are acceptable (must be an immediate family member and on title).
- Borrower demonstrates ability to cover closing costs, including mortgage insurance application fees and sales taxes if applicable, of at least 1.5% of the purchase price.
- Confirmation of Down payment must be provided and must be from own resources. Cash back will be given to clients at funding of the mortgage.

## Units

- Maximum 2 units

## Pre-approvals

- Permitted.

## Eligible Equity Sources

- Down payments may not be paid out of or included in the insured mortgage. This includes recovery of any lender cash back incentives.

## Ineligible Equity Sources

- Builder incentives or loans, gifts from third parties that receive payment from the vendor or builder, third parties that receive payment from the vendor or the builder
- Realtor/ mortgage broker incentives or loans to the borrower that impact the property selling price
- Loans/ gifts from the seller of the property (the vendor)

## Prepayment Penalty

**For Fixed Rate terms 5 years or less**

- Greater of IRD or 3 month's Interest. IRD is based on difference between customer rate and the then current interest rate offered by MERIX for a term closest to the term remaining on the mortgage.
- Prepayment penalty would also include cash back repayment on a prorated basis

### Minimum Credit Requirements

- 90.01% - 95% loan to value – minimum 650+
- Clean, stable and strong credit profiles required.
- Applicants must have a minimum two years credit history on Credit Bureau

### Interest Rate

- Published 5 year Cash Back Rate

### Loan to Value

- Up to 95% insured

### Insurance Premium

- Mortgage Insurer Premiums are calculated on Principal Balance based on the loan-to-value ratio

### Eligible Transactions

- MERIX and Genworth: Purchase, Second Homes, Business for Self Fully Qualified
- MERIX and CMHC: Purchase, Second Homes, Business for Self Fully Qualified

### Ineligible Transactions

- MERIX and Genworth: Owner occupied 3-4 unit properties, refinance, Vacation homes, Rental properties, Family Plan, New To Canada, Flexible Down Payment,
- MERIX and CMHC: Owner occupied 3-4 unit properties, Refinance, Vacation properties, Rental properties, Non-Permanent Residence, Newcomers to Canada, Flexible Down Payment, Business for Self Simplified



**MERIX**

## CMHC Owner Occupied Rental Program

### Product Description

- This program is suited to home buyers who have established an excellent credit history and wish to occupy at least one unit of a maximum 4 unit property. The property must be located in a major urban city.

### Terms And Rate Type

- 1 year, 2 year, 3 year, 4 year, 5 year, 6 year, 7 year and 10 year fixed rate term, 3 year or 5 year ARM

### Qualifying Rate

- See Fixed Rate, adjustable rate, 50/50 Wise Mortgage or HELOC section.

### Payment Frequency

- Accelerated Weekly
- Accelerated Bi-Weekly
- Monthly
- Semi-Monthly

### Prepayment Policy

- Prepay up to 20% of the Original Principal Balance each year based on the anniversary of the loan (minimum payment is \$1000).
- Increase payments by up to 20% of the original registered amount each anniversary year.
- Prepay or increase payments in combination – combined prepayment must be within 20% of the original principle balance

### Amortization

- Up to 30 years high ratio (additional Mortgage Insurer Premium applies)
- Up to 40 years conventional

### Borrower Qualification

- Applicants must have a minimum two years credit history on Credit Bureau
- Qualified home buyers can include gifted down payments from immediate family members, provided these are properly verified and non-repayable
- Maximum GDS/TDS:
  - Where beacon < 680: GDS = 35%; TDS = 42%
  - Where Beacon 680+: TDS = 44%, there is no GDS requirement.
- 50% percent of rental income from the subject property may be included in the borrower's gross annual income for the purpose of calculating the borrower's Total Debt Service Ratio.

### 3 and 4 units further requirements

- Borrowers must have clean credit, stable employment/income, down payment from own resources, positive net worth and liquid assets to cover 3 months payments.
- If the down payment is a gift, we require an acceptable guarantor. A guarantor is also needed if there are significant variations from the qualification guidelines.

#### ▪ TDS calculation scenarios

- **P=Principal I=Interest T= Taxes H=Heat OD=Other Debts**

- **Subject Property is Owner Occupied Rental with rental income from this property (ie basement apt., suite or duplex)**

$$TDS = \frac{P+I+OD}{\text{Gross Income} + 50\% \text{ of rents}}$$

Gross Income + 50% of rents

- **Subject property is rental and principal residence also has rental income**

$$TDS = \frac{P+I+OD+PI \text{ principal residence}}{\text{Gross Income} + 50\% \text{ of subject rent} + 50\% \text{ of owner occupied rent}}$$

Gross Income + 50% of subject rent + 50% of owner occupied rent

- **Subject is owner occupied and the borrower owns rentals**  
 TDS= (P+I+T+H owner occupied) + OD (no PITH rentals)  
 Gross Income + Net Rents \*  
 \*If net rents is a loss this amount is added to Other Debts (OD)
- **Subject is rental and the borrower owns other rental properties**
- TDS= P+I principal residence + OD (No PITH rentals)  
 Gross Income + 50% of subject rent + Net Rents\*  
 \*If net rents is a loss this amount is added to Other Debts (OD)
- **CMHC and Genworth:** Also include 50% of condo fees when applicable
- **NOTE:** Income from a non-conforming basement suite will be considered on an exception basis only and is typically not used. CMHC will not accept income from a non-conforming basement suite

### **Net Rents Calculations**

- **Net Rents Surplus/Shortfall:**
  - Net rental income is to include gross rents less operating expenses and the Principal and Interest portion of any loan payment that is secured by a mortgage on the property. Property taxes will be deducted to determine net income as well.
  - If the borrower pays interest only and can provide documentation, any principal payments would be considered optional and not included.
  - Operating expenses include factors for management expenses where applicable as well as vacancy and maintenance expenses.
  - Fire insurance will also be a mandatory expense if the property is not a condominium.
  - 50% of condominium fees must be included if applicable
  - Leasehold properties 100% of site or ground rents must be included.
  - The net rental surplus/shortfall will be serviced in the mortgage application.

### **OR:**

- **Net rental income from other properties using T776, T1 Generals or NOA:**
  - Net rental income may be determined by using the borrower's Canada Revenue Agency T776 Statement of Real Estate Rentals or T1 generals.
  - If using net rental income from the borrower's tax return, the figure can be grossed up by 15% only if deductions have been taken to depreciate or amortize capital assets.
  - The 15% gross up can also be applied to rental income if the borrower has taken self-employed deductions associated with the rental income that were not included in the Statement of Real Estate rentals form such as business use of home or motor vehicle expenses, only if the income has not already been grossed up by 15% to offset the depreciation or amortization of capital assets.
  - The average income for the previous two years Notice of Assessments line 150 plus 15% gross up.
  - **NOTE:** The average of the most recent 2 years net rental income will be used to ensure the rental income is stable. If stable, the current net rental income can be

used.

- **Rental Income confirmation**
  - The borrower's Canada Revenue Agency declaration (i.e. T1 General and/or T776) or
  - Audited financial statements or review engagement financial statements prepared by a practicing accountant or
  - An appraisal containing the reasonable rent rate and expenses for the units rented or
  - Signed lease agreements (only to be used to verify gross rental income. Additional documentation is required to verify the expenses for non-owner occupied properties that are not the subject of the mortgage loan insurance application).
- Down payment from borrower's own resources

#### **Units**

- Maximum 4 units

#### **Pre-approvals**

- Permitted.

#### **Prepayment Penalty**

##### **For Fixed Rate terms 5 years or less:**

- Greater of IRD or 3 month's Interest. IRD is based on difference between customer rate and the then current interest rate offered by MERIX for a term closest to the term remaining on the mortgage.

##### **Term more than 5 years**

- If you have a fixed interest rate on your mortgage and a term greater than 5 years and (a) prepayment occurs within the first 5 years of the term, payment of a prepayment charge equal to the GREATER of the interest rate differential (IRD) or 3 months interest calculated on the outstanding loan amount, and (b) if prepayment occurs after the first 5 years of the term, payment of a prepayment charge of 3 months interest calculated on the outstanding loan amount

##### **3 year or 5-year ARM term**

- 3 months interest at the current customer rate on the prepaid amount that exceeds the annual prepayment allowance.

#### **Minimum Credit Requirements**

- 600+ up to 80% loan to value purchase and refinance
- 620+ (program specific requirements apply) 80.01% to 95% loan to value purchase (max 90% for 3 and 4 units)
- **Refinance transactions 80.01% to 85% 640+**
- Applicants must have a minimum two years credit history on Credit Bureau

#### **Interest Rate**

- 1 year, 2 year, 3 year, 4 year, 5 year, 6 year, 7 year and 10 year posted Fixed Rate, 3 year or 5 year ARM posted

#### **Loan to Value**

- 2 units up to 95% insured, 80% conventional
- 3 – 4 units up to 90% insured, 80% conventional

#### **Insurance Premium**

- Mortgage Insurer Premium calculated on Principal Balance based on loan-to-value ratio

### Eligible Properties

- Maximum four units, with at least one unit occupied as the principal residence
- Property must meet the following criteria:
  - Municipal zoning/Safety by-laws
  - Fully self-contained units - non-conforming basement suites not permitted.
  - Remaining property (economic) life must exceed the amortization of the loan by a minimum of 5 years
  - <30 years old or fully upgraded, at least 1 parking space/unit, on-site laundry
  - Must be located in a major centre with a viable investor market
  - New construction or existing properties
  - Arms length Sale
- **Ineligible Property Types:** Time-share interests, vacation homes, commercial zoning, Quarter share /shared ownership Fractional Interests, Co-operative Housing, Rental Pools, Life Lease Properties, Floating Homes, Boarding Houses/Rooming Houses, BC Leaky Condos, Heritage Homes, Log homes, Water access only, any properties with restrictive covenants

### Eligible Transactions

- MERIX and CMHC: Purchase, Refinance, Business for Self Fully Qualified, Business for Self Simplified – max 2 units

### Ineligible Transactions

- MERIX and CMHC: Second Homes, Vacation homes, Non-permanent residents, Newcomers to Canada (3 and 4 units), Rental Property Program, Flexible Down payment, Cash back



**MERIX**

## Genworth Owner Occupied Rental Program

### Product Description

- This program is suited to home buyers who have established an excellent credit history and wish to occupy at least one unit of a maximum 4 unit property. The property must be located in a major urban city.

### Terms And Rate Type

- 1 year, 2 year, 3 year, 4 year, 5 year, 6 year, 7 year and 10 year fixed rate term, 3 year or 5 year ARM

### Qualifying Rate

- See Fixed Rate and adjustable rate mortgages.

### Payment Frequency

- Accelerated Weekly
- Accelerated Bi-Weekly
- Monthly
- Semi-Monthly

### Prepayment Policy

- Prepay up to 20% of the Original Principal Balance each year based on the anniversary of the loan (minimum payment is \$1000).
- Increase payments by up to 20% of the original registered amount each anniversary year.
- Prepay or increase payments in combination – combined prepayment must be within 20% of the original principle balance

### Amortization

- Up to 30 years high ratio (additional Mortgage Insurer Premium applies)
- Up to 40 years conventional

### Borrower Qualification

- Applicants must have a minimum two years credit history on Credit Bureau
- Qualified home buyers can include gifted down payments from immediate family members, provided these are properly verified and non-repayable
- Maximum GDS/TDS:
  - Where beacon < 680: GDS = 35%; TDS = 42%
  - Where Beacon 680+: TDS = 44%, there is no GDS requirement.

#### **3 and 4 units further requirements**

- Borrowers must have clean credit, stable employment/income, down payment from own resources, positive net worth and liquid assets to cover 3 months payments.
- If the down payment is a gift, we require an acceptable guarantor. A guarantor is also needed if there are significant variations from the qualification guidelines.

#### **Conventional Owner Occupied Rental Properties:**

- The lender will use 80% rental off-set
- **TDS calculation:**

$$\text{TDS} = \frac{\text{PIT all properties} + \text{All other debt Obligations} - 80\% \text{ of Gross Rental Income all properties}}{\text{Gross Annual Employment Income}}$$
- Also include 50% of condo fees when applicable

#### **High Ratio Owner Occupied Rental Properties:**

- 50% of rental income for subject property can be added to the total income

#### **High Ratio Other Rental properties:**

- Rental income to be confirmed with recent T1 generals
- If there is a rental surplus, this amount can be added to the borrowers gross annual income
- If there is a shortfall – the shortfall is added to “other monthly obligations”
- Where rental income cannot be validated with T1 generals, the full principal, interest and taxes must be included in “other Monthly Obligations” as well as 50% of condo fees if applicable and 50% of gross rental income added to borrowers gross annual income

### Units

- Maximum 4 units

## Pre-approvals

- Permitted.

## Prepayment Penalty

### For Fixed Rate terms 5 years or less:

- Greater of IRD or 3 month's Interest. IRD is based on difference between customer rate and the then current interest rate offered by MERIX for a term closest to the term remaining on the mortgage.

### Term more than 5 years

- If you have a fixed interest rate on your mortgage and a term greater than 5 years and (a) prepayment occurs within the first 5 years of the term, payment of a prepayment charge equal to the GREATER of the interest rate differential (IRD) or 3 months interest calculated on the outstanding loan amount, and (b) if prepayment occurs after the first 5 years of the term, payment of a prepayment charge of 3 months interest calculated on the outstanding loan amount

### 3 year or 5-year ARM term

- 3 months interest at the current customer rate on the prepaid amount that exceeds the annual prepayment allowance.

## Minimum Credit Requirements

- 600+ up to 80% loan to value purchase and refinance
- 620+ (program specific requirements apply) 80.01% to 95% loan to value purchase (3 and 4 units max 90% LTV)
- Refinance transactions 80.01% to 85% 640+
- Applicants must have a minimum two years credit history on Credit Bureau

## Interest Rate

- 1 year, 2 year, 3 year, 4 year, 5 year, 6 year, 7 year and 10 year posted Fixed Rate, 3 year or 5 year ARM posted

## Loan to Value

- Up to 95% insured for 1 – 2 units for purchase, Up to 85% insured for 1-2 units for refinance, Up to 90% insured for 3 – 4 units purchase and up to 85% insured for 3-4 units refinance, 80% conventional

## Insurance Premium

- Mortgage Insurer Premium calculated on Principal Balance based on loan-to-value ratio

## Eligible Properties

- Maximum four units, with at least one unit occupied as the principal residence
- Property must meet the following criteria:
  - Municipal zoning/Safety by-laws
  - Fully self-contained units - non-conforming basement suites permitted case by case.
  - Remaining property (economic) life must exceed the amortization of the loan by a minimum of 5 years
  - <30 years old or fully upgraded, at least 1 parking space/unit, on-site laundry
  - Must be located in a major centre with a viable investor market
  - New construction or existing properties
  - Arms length Sale
- **Ineligible Property Types:** Time-share interests, vacation homes, commercial zoning, Quarter share /shared ownership Fractional Interests, Co-operative Housing, Rental Pools,

Life Lease Properties, Floating Homes, Boarding Houses/Rooming Houses, BC Leaky Condos, Heritage Homes, Log homes, Water access only, any properties with restrictive covenants

#### **Eligible Transactions**

- MERIX and Genworth: Purchase, Refinance, Business for Self (ALT A) – max 2 units, Purchase Plus Improvements

#### **Ineligible Transactions**

- MERIX and Genworth: Second Homes, Vacation Homes, Family Plan, New to Canada, Rental Property Program, Flexible Down payment, Cash back



### **CMHC Rental Property Program**

#### **Product Description**

- This program is suited to home buyers who have established an excellent credit history and wish to invest in a rental property.

#### **Terms And Rate Type**

- 1 year, 2 year, 3 year, 4 year, 5 year, 6 year, 7 year and 10 year fixed rate term, 3 year or 5 year ARM

#### **Qualifying Rate**

- See Fixed Rate, adjustable rate, 50/50 Wise Mortgage or HELOC section.

#### **Payment Frequency**

- Accelerated Weekly
- Accelerated Bi-Weekly
- Monthly
- Semi-Monthly

### **Prepayment Policy**

- Prepay up to 20% of the Original Principal Balance each year based on the anniversary of the loan (minimum payment is \$1000).
- Increase payments by up to 20% of the original registered amount each anniversary year.
- Prepay or increase payments in combination – combined prepayment must be within 20% of the original principle balance

### **Eligible Properties**

- Maximum 4 units – no commercial component permitted. Current zoning must permit residential use.
- New Construction or existing properties
- Property must meet the following criteria:
  - Municipal zoning
  - Fully self-contained units – non-conforming basement suites not permitted
  - Remaining property (economic) life must exceed the amortization of the loan by a minimum of 5 years

### **Property Details**

- New construction and existing properties required documentation is appraiser's market rent or lease agreements
- MERIX requires assignment of rents
- Maximum 4 rental properties. Borrowers cannot own more than a total of 5 residential properties. This is inclusive of the subject property. Maximum total loan amount \$1.5 million (loan 1 + loan 2 + loan 3 + loan 4 + loan 5 = \$1.5 million)

### **Ineligible Properties**

- Time-share Interests
- Vacation Homes
- Commercial zoning
- Rooming Houses
- Quarter Share / Shared Ownership
- Rental Pools
- Co-operative Housing
- Life Lease Properties
- Floating Homes
- BC Leaky Condos
- Heritage Homes
- Log homes
- Water access only
- Any properties with restrictive covenants

### **Minimum Credit Requirements**

- Borrowers should have a strong history of managing their credit
- Two (2) trade lines with at least two (2) years history
- No prior bankruptcy
- Minimum 640+ beacon score

MERIX will consider applications with lower scores based on the overall merit of the application and where other risk mitigating factors exist.

### Amortization

- Up to 40 years conventional

### Borrower Qualification

- Maximum 40% TDS
- 50% percent of rental income from the subject property may be included into the borrower's gross annual income for the purpose of calculating the borrower's Total Debt Service Ratio.
- **TDS calculation scenarios**
- **P=Principal I=Interest T= Taxes H=Heat OD=Other Debts**

- **Subject Property is Owner Occupied Rental with rental income from this property (ie basement apt., suite or duplex)**

$$TDS = \frac{P+I+OD}{\text{Gross Income} + 50\% \text{ of rents}}$$

Gross Income + 50% of rents

- **Subject property is rental and principal residence also has rental income**

$$TDS = \frac{P+I+OD+PI \text{ principal residence}}{\text{Gross Income} + 50\% \text{ of subject rent} + 50\% \text{ of owner occupied rent}}$$

Gross Income + 50% of subject rent + 50% of owner occupied rent

- **Subject is owner occupied and the borrower owns rentals**

$$TDS = \frac{(P+I+T+H \text{ owner occupied}) + OD \text{ (no PITH rentals)}}{\text{Gross Income} + \text{Net Rents}^*}$$

Gross Income + Net Rents \*

\*If net rents is a loss this amount is added to Other Debts (OD)

- **Subject is rental and the borrower owns other rental properties**

- **TDS =  $\frac{P+I \text{ principal residence} + OD \text{ (No PITH rentals)}}{\text{Gross Income} + 50\% \text{ of subject rent} + \text{Net Rents}^*}$**

Gross Income + 50% of subject rent + Net Rents\*

\*If net rents is a loss this amount is added to Other Debts (OD)

- **CMHC:** Also include 50% of condo fees when applicable
- **NOTE:** Income from a non-conforming basement suite will be considered on an exception basis only and is typically not used. CMHC will not accept income from a non-conforming basement suite

### Net Rents Calculations

▪ **Net Rents Surplus/Shortfall:**

- Net rental income is to include gross rents less operating expenses and the Principal and Interest portion of any loan payment that is secured by a mortgage on the property. Property taxes will be deducted to determine net income as well.
- If the borrower pays interest only and can provide documentation, any principal payments would be considered optional and not included.
- Operating expenses include factors for management expenses where applicable as well as vacancy and maintenance expenses.
- Fire insurance will also be a mandatory expense if the property is not a condominium.
- 50% of condominium fees must be included if applicable
- Leasehold properties 100% of site or ground rents must be included.
- The net rental surplus/shortfall will be serviced in the mortgage application.

**OR:**

▪ **Net rental income from other properties using T776, T1 Generals or NOA:**

- Net rental income may be determined by using the borrower's Canada Revenue Agency T776 Statement of Real Estate Rentals or T1 generals.
- If using net rental income from the borrower's tax return, the figure can be grossed up by 15% only if deductions have been taken to depreciate or amortize capital assets.
- The 15% gross up can also be applied to rental income if the borrower has taken self-employed deductions associated with the rental income that were not included in the Statement of Real Estate rentals form such as business use of home or motor vehicle expenses, only if the income has not already been grossed up by 15% to offset the depreciation or amortization of capital assets.
- The average income for the previous two years Notice of Assessments line 150 plus 15% gross up.
- **NOTE:** The average of the most recent 2 years net rental income will be used to ensure the rental income is stable. If stable, the current net rental income can be used.

▪ **Rental Income confirmation**

- The borrower's Canada Revenue Agency declaration (i.e. T1 General and/or T776) or
  - Audited financial statements or review engagement financial statements prepared by a practicing accountant or
  - An appraisal containing the reasonable rent rate and expenses for the units rented or
  - Signed lease agreements (only to be used to verify gross rental income. Additional documentation is required to verify the expenses for non-owner occupied properties that are not the subject of the mortgage loan insurance application).
- Down payment from borrower's own resources
  - Personal guarantees are required when the borrower is not an individual (e.g. corporate entity). Articles of incorporation, Borrowing resolution or borrowing by-law are also required. Personal guarantee must cover 100% of the mortgage loan. The company must be a holding company and not an operating company.
  - The personal guarantee cannot be released without prior consent from the mortgage insurer

- Two (2) trade lines with at least two (2) years history

#### Units

- Maximum 4 units

#### Pre-approvals

- Permitted

#### Prepayment Penalty

##### **For Fixed Rate terms 5 years or less:**

- Greater of IRD or 3 month's Interest. IRD is based on difference between customer rate and the then current interest rate offered by MERIX for a term closest to the term remaining on the mortgage.

##### **Term more than 5 years**

- If you have a fixed interest rate on your mortgage and a term greater than 5 years and (a) prepayment occurs within the first 5 years of the term, payment of a prepayment charge equal to the GREATER of the interest rate differential (IRD) or 3 months interest calculated on the outstanding loan amount, and (b) if prepayment occurs after the first 5 years of the term, payment of a prepayment charge of 3 months interest calculated on the outstanding loan amount

##### **3 year or 5-year ARM term**

- 3 months interest at the current customer rate on the prepaid amount that exceeds the annual prepayment allowance.

#### Interest Rate

- 1 year, 2 year, 3 year, 4 year, 5 year, 6 year, 7 year and 10 year MERIX Rental posted Fixed Rate, 3 year or 5 year Rental ARM posted

#### Loan to Value

- Up to 80%

#### Eligible Transactions

- MERIX and CMHC: Purchase, Refinance, Purchase Plus Improvements, Business for Self

#### Ineligible Transactions

- MERIX and CMHC: Newcomers to Canada, Non-Permanent Residents, Flexible Down Payment, Cash back



### Genworth Rental Property Program

#### Product Description

- This program is suited to home buyers who have established an excellent credit history and wish to invest in a rental property.

#### Terms And Rate Type

- 1 year, 2 year, 3 year, 4 year, 5 year, 6 year, 7 year and 10 year fixed rate term, 3 year or 5

year ARM

### **Qualifying Rate**

- See Fixed Rate and adjustable rate mortgages.
- For terms less than 3 years or ARM, the qualifying interest rate is the greater of three-year fixed rate or contract rate; for terms of three years or more, the contract rate is used.

### **Payment Frequency**

- Accelerated Weekly
- Accelerated Bi-Weekly
- Monthly
- Semi-Monthly

### **Prepayment Policy**

- Prepay up to 20% of the Original Principal Balance each year based on the anniversary of the loan (minimum payment is \$1000).
- Increase payments by up to 20% of the original registered amount each anniversary year.
- Prepay or increase payments in combination – combined prepayment must be within 20% of the original principle balance

### **Eligible Properties**

- Maximum 4 units – no commercial component permitted. Current zoning must permit residential use.
- New Construction or existing properties
- Property must meet the following criteria:
  - Municipal zoning
  - Fully self-contained units – non-conforming basement suites permitted case by case
  - Remaining property (economic) life must exceed the amortization of the loan by a minimum of 5 years
  - Must be located in a major centre with a viable investor market

### **Property Details**

- New construction and existing properties required documentation is appraiser's market rent or lease agreements
- MERIX requires assignment of rents  
Maximum 4 rental properties. Borrowers cannot own more than a total of 5 residential properties. This is inclusive of the subject property. Maximum total loan amount \$1.5 million (loan 1 + loan 2 + loan 3 + loan 4 + loan 5 = \$1.5 million)

### **Ineligible Properties**

- Time-share Interests
- Vacation Homes
- Commercial zoning
- Rooming Houses
- Quarter Share / Shared Ownership
- Rental Pools
- Co-operative Housing
- Life Lease Properties
- Floating Homes
- BC Leaky Condos

- Heritage Homes
- Log homes
- Water access only
- Any properties with restrictive covenants

### Minimum Credit Requirements

- Borrowers should have a strong history of managing their credit
- Two (2) trade lines with at least two (2) years history
- No prior bankruptcy
- Minimum 640+ beacon score

### Amortization

- Up to 40 years conventional

### Borrower Qualification

- Maximum 40% TDS
- **80% rental offset for subject property and rental properties**
- **TDS Calculation:**  

$$\text{TDS} = \frac{\text{PIT all properties} + \text{All other debt Obligations} - 80\% \text{ of Gross Rental Income all properties}}{\text{Gross Annual Household Income}}$$
- **Genworth PITH:** Also include 50% of condo fees
- **Rental Income**
  - The lesser of actual rent (confirmed by leases) or fair market rent as determined by an approved appraiser
  - Income from a non-conforming basement suite will be considered on an exception basis only and is typically not used.
- Down payment from borrower's own resources
- Personal guarantees are required when the borrower is not an individual (e.g. corporate entity). Articles of incorporation, Borrowing resolution or borrowing by-law are also required. Personal guarantee must cover 100% of the mortgage loan. The company must be a holding company and not an operating company.
- The personal guarantee cannot be released without prior consent from the mortgage insurer
- Two (2) trade lines with at least two (2) years history

### Units

- Maximum 4 units

### Pre-approvals

- Permitted

### Prepayment Penalty

#### **For Fixed Rate terms 5 years or less:**

- Greater of IRD or 3 month's Interest. IRD is based on difference between customer rate and the then current interest rate offered by MERIX for a term closest to the term remaining on the mortgage.

#### **Term more than 5 years**

- If you have a fixed interest rate on your mortgage and a term greater than 5 years and (a) prepayment occurs within the first 5 years of the term, payment of a prepayment charge equal to the GREATER of the interest rate differential (IRD) or 3 months interest calculated on the outstanding loan amount, and

(b) if prepayment occurs after the first 5 years of the term, payment of a prepayment charge of 3 months interest calculated on the outstanding loan amount

**3 year or 5-year ARM term**

- 3 months interest at the current customer rate on the prepaid amount that exceeds the annual prepayment allowance.

**Interest Rate**

- 1 year, 2 year, 3 year, 4 year, 5 year, 6 year, 7 year and 10 year MERIX Rental posted Fixed Rate, 3 year or 5 year Rental ARM posted

**Loan to Value**

- Up to 80% LTV conventional

**Eligible Transactions**

- MERIX and Genworth: Purchase, Refinance, Purchase Plus Improvements

**Ineligible Transactions**

- MERIX and Genworth: Business for Self (ALT A), New to Canada, Family Plan, Second Homes, Vacation Properties, Flexible Down Payment, Cash back



**Second Homes Program**

**Product Description**

- A program designed to assist with the purchase of a second home with little money down with an affordable monthly payment.

**Terms And Rate Type**

- 6 mos, 1 year, 2 year, 3 year, 4 year, 5 year, 6 year, 7 year and 10 year fixed rate term, 3 year or 5 year ARM

**Qualifying Rate**

- See Fixed Rate, adjustable rate, 50/50 Wise Mortgage or HELOC section.

### Maximum Loan Amount Second Homes

- **Maximum loan amount:** - Metro Toronto, Metro Vancouver and Metro Calgary - \$700,000; rest of Canada - \$600,000

### Payment Frequency

- Accelerated Weekly
- Accelerated Bi-Weekly
- Monthly
- Semi-Monthly

### Prepayment Policy

- Prepay up to 20% of the Original Principal Balance each year based on the anniversary of the loan (minimum payment is \$1000).
- Increase payments by up to 20% of the original registered amount each anniversary year.
- Prepay or increase payments in combination – combined prepayment must be within 20% of the original principle balance

### Eligible Second Homes Properties

- Property must be intended for occupancy at some point during the year by a borrower; or a relative of the borrower on a rent-free basis. Seasonal vacation properties not permitted
- New construction/existing properties
- Fully self-contained units
- Estimated remaining property (economic) life must exceed the amortization of the loan by a minimum of 5 years
- Min square footage: House is  $\geq$  800 square feet, Condo is  $\geq$  500 square feet
- Up to one unit Maximum
- Properties must have a permanent source of electricity (generators are considered supplementary sources of electricity)
- Foundation must be permanent and installed beyond the frost line. This includes concrete/concrete block or preserved wood foundations certified by a professional engineer or post/pier foundations on solid bedrock
- Must be zoned and used as residential or rural. We do not accept mixed uses or rental pooling
- Freehold or condominium title. We do not accept co-ops or  $\frac{1}{4}$  interest ownership
- At minimum, property must have a kitchen, 3-piece bathroom, bedroom, and common area
- Year-round road access on reasonable quality public roads, serviced by the local municipality. We also allow privately serviced roads, provided there is a maintenance contract in place
- Property must be winterized with a permanent heat source. For example, heating can be baseboard, forced air, water radiator, radiant, coal, propane, geothermal heat pumps, or heat pumps
- Good quality construction with no signs of deferred maintenance
- Water source: well, municipal serviced, and cistern. Water source must be drinkable. We accept lake or river water, provided the property has its own filtration system. For example, a reverse osmosis system
- There must be good market appeal in the area with no adverse influences/neighbourhood nuisances
- We do not accept time share properties, life leases or properties in rental pools
- Further property details are listed in Ineligible properties section

### Ineligible Properties

- Time-share interests, vacation homes, commercial zoning, Quarter share /shared ownership Fractional Interests, Co-operative Housing, Rental Pools, Life Lease Properties, Floating Homes, Boarding Houses/Rooming Houses, BC Leaky Condos, Heritage Homes, Log homes, Water access only, any properties with restrictive covenants

### Minimum Credit Requirements

- Second homes Properties Purchase: up to 95% 660+, Refinance: up to 65% 660+, 65.01% up to 90% LTV 680+
- Applicants must have a minimum two years credit history on Credit Bureau
- No prior bankruptcy or judgments
- No R3's in the last 24 months
- No 3rd party guarantors for qualification purposes. We do accept spousal guarantors
- We do not allow gifted down payments under this program

### Amortization

- **Second Homes Up to 30 years high ratio (additional Mortgage Insurer Premium applies)**
- Second Homes: Up to 40 years conventional

### Borrower Qualification

- Maximum GDS/TDS:
- Where beacon < 680: GDS = 35%; TDS = 42%
- Where Beacon 680+: TDS = 44%, there is no GDS requirement.

### Units

- Second Homes – maximum one unit

### Pre-approvals

- Permitted.

### Prepayment Penalty

#### For Fixed Rate terms 5 years or less:

- Greater of IRD or 3 month's Interest. IRD is based on difference between customer rate and the then current interest rate offered by MERIX for a term closest to the term remaining on the mortgage.

#### Term more than 5 years

- If you have a fixed interest rate on your mortgage and a term greater than 5 years and (a) prepayment occurs within the first 5 years of the term, payment of a prepayment charge equal to the GREATER of the interest rate differential (IRD) or 3 months interest calculated on the outstanding loan amount, and (b) if prepayment occurs after the first 5 years of the term, payment of a prepayment charge of 3 months interest calculated on the outstanding loan amount

#### 3 year or 5-year ARM term

- 3 months interest at the current customer rate on the prepaid amount that exceeds the annual prepayment allowance.

### Interest Rate

- 6 mos, 1 year, 2 year, 3 year, 4 year, 5 year, 6 year, 7 year and 10 year MERIX posted Fixed Rate, 3 year or 5 year ARM posted

### Loan to Value

- Second Home properties: Up to 95% LTV (Purchase) and **up to 85% LTV (Refinance)**

### Insurance Premium

- Mortgage Insurer Premiums are calculated on Principal Balance based on the loan-to-value ratio

### **Second Homes Eligible Transactions**

- MERIX and Genworth: Purchase, Purchase Plus Improvements, Refinance, Business for Self Fully Qualified
- MERIX and CMHC: Purchase, Purchase Plus Improvements, Refinance, Business for Self Fully Qualified

### **Second Homes Ineligible Transactions**

- MERIX and Genworth: Owner occupied Rental, Family Plan, New to Canada, Rental program, Vacation/Seasonal Properties
- MERIX and CMHC: Owner occupied Rental, Family Plan, Rental Program, Newcomers to Canada, Non-Permanent Residents, Vacation/Seasonal properties, Business for Self Simplified



**MERIX**

## **New to Canada Program**

### **Product Description**

- Qualified homebuyers who have immigrated to Canada from another country, or have been transferred to Canada by an employer can qualify for mortgage insurance with as little as a 5% down payment.

### **Terms And Rate Type**

- 1 year, 2 year, 3 year, 4 year, 5 year, 6 year, 7 year and 10 year fixed rate term, 3 year or 5 year ARM

### **Qualifying Rate**

- See Fixed Rate or adjustable rate mortgage section.

### Payment Frequency

- Accelerated Weekly
- Accelerated Bi-Weekly
- Monthly
- Semi-Monthly

### Property

- Property must meet municipal zoning/safety by-laws
- New construction/existing properties
- Fully self-contained units
- Min square footage: House is  $\geq 800$  square feet, Condo is  $\geq 500$  square feet
- **Ineligible Property Types:** Time-share interests, vacation homes, commercial zoning, Quarter share /shared ownership Fractional Interests, Co-operative Housing, Rental Pools, Life Lease Properties, Floating Homes, Boarding Houses/Rooming Houses, BC Leaky Condos, Heritage Homes, Log homes, Water access only, any properties with restrictive covenants
- Up to two units Maximum

### Prepayment Policy

- Prepay up to 20% of the Original Principal Balance each year based on the anniversary of the loan (minimum payment is \$1000).
- Increase payments by up to 20% of the original registered amount each anniversary year.
- Prepay or increase payments in combination – combined prepayment must be within 20% of the original principle balance

### Documentation Requirements

**LTV****Documentation requirements\*****All LTV's**

- Valid work permit or verification of landed immigrant status
- Income Confirmation
- Down payment confirmation
- Purchase and Sale agreement

**Up to 90%**

- Letter of reference from a recognized financial institution  
OR
- Six (6) months of bank statements from primary account

**90.01 - 95%**

- International credit report demonstrating a strong credit profile  
OR  
Two (2) alternative sources of credit demonstrating timely payments (no arrears) for the past 12 months. The two alternative sources required are:
- Rental payment history confirmed via letter from landlord and bank statements. Letter from landlord must indicate the following: name of tenant, monthly rent, length of tenancy, payment history. Bank statements must support the amount of rent and timeliness of payments outlined in the letter.
- One other alternative source (hydro/utilities, telephone, cable) to be confirmed via letter from the service provider or 12 months billing statements

**Additional requirements**

- Proof of full-time employment with no probation
- Proof of sale for principal residence in the country of residence prior to Canada, if applicable.

\*New to Canada™ is a trademark of Genworth Financial Mortgage Insurance Company Canada ("Genworth"). MERIX is an authorized distributor of Genworth's New to Canada™

**Amortization**

- Up to 30 years high ratio (additional Mortgage Insurer premium applies)
- Up to 40 years conventional

**Borrower Qualification**

- Maximum GDS/TDS:
- Where beacon < 680: GDS = 35%; TDS = 42%
- Where Beacon 680+: TDS = 44%, there is no GDS requirement.
- Spousal guarantors permitted
- Must have immigrated or relocated to Canada within the last 36 months
- Primary applicant must have 3 months minimum full time employment in Canada (borrowers being transferred under a corporate relocation program are exempt)
- Must have a valid work permit or obtained landed immigrant status
- For LTV's less than 95%, the remainder may be gifted from an immediate family member or from a corporate subsidy.
- All debts held outside of the country must be included in the total debt servicing ratio (Rental income earned outside of Canada is to be excluded from the GDS/TDS calculation.)

**Units**

- Maximum 2 units

### **Pre-approvals**

- Permitted

### **Prepayment Penalty**

#### **For Fixed Rate terms 5 years or less:**

- Greater of IRD or 3 month's Interest. IRD is based on difference between customer rate and the then current interest rate offered by MERIX for a term closest to the term remaining on the mortgage.

#### **Term more than 5 years**

- If you have a fixed interest rate on your mortgage and a term greater than 5 years and (a) prepayment occurs within the first 5 years of the term, payment of a prepayment charge equal to the GREATER of the interest rate differential (IRD) or 3 months interest calculated on the outstanding loan amount, and (b) if prepayment occurs after the first 5 years of the term, payment of a prepayment charge of 3 months interest calculated on the outstanding loan amount

#### **3 year or 5-year ARM term**

- 3 months interest at the current customer rate on the prepaid amount that exceeds the annual prepayment allowance.

### **Interest Rate**

- 1 year, 2 year, 3 year, 4 year, 5 year, 6 year, 7 year and 10 year MERIX posted Fixed Rate, 3 year or 5 year ARM posted

### **Loan to Value**

- Up to 95% LTV insured, 80% LTV conventional, **maximum refinance up to 85% LTV**

### **Insurance Premium**

- Mortgage Insurer Premiums are calculated on Principal Balance based on the loan-to-value ratio

### **Eligible Transactions**

- MERIX and Genworth: Purchase, Purchase Plus Improvements

### **Ineligible Transactions**

- MERIX and Genworth: Business for Self Fully Qualified, Refinance, Family Plan, Owner Occupied Rental 3 and 4 units, Vacation Homes, Second Homes, Rental program, Cash Back, Flexible Down Payment

**Note:** This program is not available to Diplomats or any other foreign political appointed individuals who do not pay income tax in Canada.



## Newcomers and Non-Permanent Residents Program

### Product Description

- Qualified homebuyers who have immigrated to Canada from another country, or have been transferred to Canada by an employer can qualify for mortgage insurance with as little as a 5% down payment. Maximum loan to value is 90% for non-permanent residence.

### Terms And Rate Type

- 1 year, 2 year, 3 year, 4 year, 5 year, 6 year, 7 year and 10 year fixed rate term, 3 year or 5 year ARM

### Qualifying Rate

- See Fixed Rate or adjustable rate mortgage section.

### Payment Frequency

- Accelerated Weekly
- Accelerated Bi-Weekly
- Monthly
- Semi-Monthly

### Property

- Property must meet municipal zoning/safety by-laws
- New construction/existing properties
- Fully self-contained units
- Min square footage: House is  $\geq$  800 square feet, Condo is  $\geq$  500 square feet
- **Ineligible Property Types:** Time-share interests, vacation homes, commercial zoning, Quarter share /shared ownership Fractional Interests, Co-operative Housing, Rental Pools, Life Lease Properties, Floating Homes, Boarding Houses/Rooming Houses, BC Leaky Condos, Heritage Homes, Log homes, Water access only, any properties with restrictive covenants
- Up to two units Maximum for Newcomers with permanent residency
- One unit only for non-permanent residents

### Prepayment Policy

- Prepay up to 20% of the Original Principal Balance each year based on the anniversary of the loan (minimum payment is \$1000).
- Increase payments by up to 20% of the original registered amount each anniversary year.
- Prepay or increase payments in combination – combined prepayment must be within 20% of the original principle balance

## Documentation Requirements

### All LTV's

- Valid work permit or verification of landed immigrant status
- Income Confirmation
- Down payment confirmation

### Purchase and Sale agreement **Additional requirements**

- Proof of full-time employment with no probation
- Proof of sale for principal residence in the country of residence prior to Canada, if applicable.

## Credit History Documentation

### Permanent Residents up to 95% Loan to Value

- International Credit Report
- Letter of reference from a recognized financial institution  
OR
- Six (6) months of bank statements from primary account

### The following may be considered for Permanent Residents:

- Rental payment history confirmed via letter from landlord and bank statements. Letter from landlord must indicate the following: name of tenant, monthly rent, length of tenancy, payment history. Bank statements must support the amount of rent and timeliness of payments outlined in the letter. Rent Payments should be timely no more than 30 day late payment on non-rent obligations.
- Three (3) alternative sources of credit demonstrating timely payments (no arrears) for the past 12 months in the event, confirmation of rent payments is not available, payment over the preceding 12 month period of any three regular periodic obligations including but not limited to: Utilities, cable, childcare expenses, insurance premiums, documented regular savings. Payments should be regular and direct (ie not payroll deducted).
- Three other alternative sources (hydro/utilities, telephone, cable) to be confirmed via letter from the service provider or 12 months billing statements
- Insurer will also consider factors that indicate the borrower's ability to repay debt, including but not limited to: The borrower's history of dealing with a financial institution, net worth or unencumbered liquid assets or investments.

### **Non-Permanent Residents up to 90% Loan to Value**

**Note:** Maximum loan to value for non-permanent residents is 90%

- Where available an international credit bureau will be obtained. Where an international credit bureau is not available, the lender may verify the borrower's credit worthiness via a letter of reference from the borrower's financial institution.

### **Amortization**

- Up to 30 years high ratio (additional Mortgage Insurer premium applies)
- Up to 40 years conventional

### **Borrower Qualification**

- Maximum GDS/TDS:
- Where beacon < 680: GDS = 35%; TDS = 42%
- Where Beacon 680+: TDS = 44%, there is no GDS requirement.
- Recommended minimum beacon score is 620+
- Spousal guarantors permitted
- Must have immigrated or relocated to Canada within the last 36 months
- Primary applicant must have 3 months minimum full time employment in Canada (borrowers being transferred under a corporate relocation program are exempt)
- Borrowers without third party validation of income and individuals with diplomatic immunity are not eligible. This program is not available to Diplomats or any other foreign political appointed individuals who do not pay income tax in Canada.
- Must have a valid work permit or obtained landed immigrant status
- For LTV's less than 95%, the remainder may be gifted from an immediate family member or from a corporate subsidy.
- All debts held outside of the country must be included in the total debt servicing ratio (Rental income earned outside of Canada is to be excluded from the GDS/TDS calculation.)

### **Units**

- Maximum 2 units for newcomers with permanent residence status, maximum 1 unit for Non-permanent residents. Must be owner occupied.

### **Pre-approvals**

- Permitted

### **Prepayment Penalty**

#### **For Fixed Rate terms 5 years or less:**

- Greater of IRD or 3 month's Interest. IRD is based on difference between customer rate and the then current interest rate offered by MERIX mortgages for a term closest to the term remaining on the mortgage.

#### **Term more than 5 years**

- If you have a fixed interest rate on your mortgage and a term greater than 5 years and (a) prepayment occurs within the first 5 years of the term, payment of a prepayment charge equal to the GREATER of the interest rate differential (IRD) or 3 months interest calculated on the outstanding loan amount, and (b) if prepayment occurs after the first 5 years of the term, payment of a prepayment charge of 3 months interest calculated on the outstanding loan amount

**3 year or 5-year ARM term**

- 3 months interest at the current customer rate on the prepaid amount that exceeds the annual prepayment allowance.

**Interest Rate**

- 1 year, 2 year, 3 year, 4 year, 5 year, 6 year, 7 year and 10 year MERIX posted Fixed Rate, 3 year or 5 year ARM posted

**Loan to Value**

- Up to 95% insured, 80% conventional, note maximum loan to value for non-permanent residence is 90%, **maximum refinance 85% LTV**

**Insurance Premium**

- Mortgage Insurer Premiums are calculated on Principal Balance based on the loan-to-value ratio

**Eligible Transactions**

- MERIX and CMHC: Purchase, Purchase Plus Improvements

**Ineligible Transactions**

- MERIX and CMHC: Business for Self Fully Qualified, Business for Self Simplified, Refinance, Family Plan, Owner Occupied Rental 3 and 4 units for newcomers, Non-permanent residence above 1 unit, Vacation homes, Second Homes, Rental program, Cash Back, Flexible Down Payment

**Note:** This program is not available to Diplomats or any other foreign political appointed individuals who do not pay income tax in Canada.



## Business For Self – Fully Qualifying

### Product Description

- The Business For Self fully qualifying program is designed for the self employed that have traditional verification of income. The program allows for a 15% gross up to line 150 income to account for business deductions.

### Terms And Rate Type

- 6 mos, 1 year, 2 year, 3 year, 4 year, 5 year, 6 year, 7 year and 10 year fixed rate term, 3 year or 5 year ARM

### Qualifying Rate

- See Fixed Rate, adjustable rate, 50/50 Wise Mortgage or HELOC section.

### Payment Frequency

- Accelerated Weekly
- Accelerated Bi-Weekly
- Monthly
- Semi-Monthly

### Property

- Property must meet municipal zoning/safety by-laws
- New construction/existing properties
- Fully self-contained units
- Min square footage: House is  $\geq$  800 square feet, Condo is  $\geq$  500 square feet
- Readily marketable residential dwellings, located in markets with demonstrated ongoing re-sale demand
- Older homes (pre 1950) must have been substantially modernized and the estimated remaining property (economic) life must be at least 25 years
- New construction must be covered by an insurer approved New Home Warranty Program
- **Ineligible Property Types:** Time-share interests, vacation homes, commercial zoning, Quarter share /shared ownership Fractional Interests, Co-operative Housing, Rental Pools, Life Lease Properties, Floating Homes, Boarding Houses/Rooming Houses, BC Leaky Condos, Heritage Homes, Log homes, Water access only, any properties with restrictive covenants

### Units

- Up to 90% 3 and 4 units purchase and **85% refinance**
- Up to 95% 1 to 2 units purchase
- **Up to 85% 1 to 2 units refinance**

### Minimum Credit Requirements

- 600+ up to 80% loan to value purchase and refinance
- 620+ (program specific requirements apply) 80.01% to 95% loan to value purchase
- **Refinance transactions 80.01% to 85% 640+**
- Fully qualifying minimum two years credit history for all applicants
- Note product and program specific requirements apply

### Prepayment Policy

- Prepay up to 20% of the Original Principal Balance each year based on the anniversary of the loan (minimum payment is \$1000).
- Increase payments by up to 20% of the original registered amount each anniversary year.
- Prepay or increase payments in combination – combined prepayment must be within 20% of the original principle balance

### Documentation and Program Requirements

- Business for Self two most recent years Notice of Assessments (NOA) required and income determined by averaging the income (line 150) of the previous two year period or using most recent year if income has increased year over year for four years or more.
- Minimum two years in same type of work, even if not in a self-employed capacity.
- Income can be grossed up by 15%. Should the borrower have eligible deductions in excess of 15% of the income on their NOA, the borrower can provide the lender with audited financial statements or financial statements prepared by a practicing accountant to support the higher income level in lieu of the 15% gross up. Borrowers must provide the financial statements in addition to the required two most recent years NOAs.
- Eligible Add backs to net income before taxes: Business use of home, reasonable motor vehicle expenses and capital cost allowances.

### Amortization

- Up to 30 years high ratio (additional Mortgage Insurer premium applies)
- Up to 40 years conventional

### Borrower Qualification

- Maximum GDS/TDS:
- Where beacon < 680: GDS = 35%; TDS = 42%
- Where Beacon 680+: TDS = 44%, there is no GDS requirement.
- Fully qualifying minimum two years credit history for all applicants history
- No previous bankruptcy
- Owner occupied primary residence or secondary home. All applicants used to qualify must occupy the property.
- Spousal guarantors acceptable provided they occupy the subject property
- Non-occupant co-borrowers or guarantors not permitted

### Pre-approvals

- Permitted

### Prepayment Penalty

#### For Fixed Rate terms 5 years or less:

- Greater of IRD or 3 month's Interest. IRD is based on difference between customer rate and the then current interest rate offered by MERIX for a term closest to the term remaining on the mortgage.

#### Term more than 5 years

- If you have a fixed interest rate on your mortgage and a term greater than 5 years and
  - (a) prepayment occurs within the first 5 years of the term, payment of a prepayment charge equal to the GREATER of the interest rate differential (IRD) or 3 months interest calculated on the outstanding loan amount, and
  - (b) if prepayment occurs after the first 5 years of the term, payment of a prepayment charge of 3 months interest calculated on the outstanding loan amount

#### 5-year ARM term

- 3 months interest at the current customer rate on the prepaid amount that exceeds the annual prepayment allowance.

#### **Interest Rate**

- 6 mos, 1 year, 2 year, 3 year, 4 year, 5 year, 6 year, 7 year and 10 year fixed rate term, 3 year or 5 year ARM

#### **Loan to Value**

- 80% conventional
- 1-2 Units: 95% LTV purchase, Refinance maximum 85% LTV
- 1-4 Units: 90% LTV purchase and 85% LTV refinance

#### **Insurance Premium**

- Mortgage Insurer Premiums are calculated on Principal Balance based on the loan-to-value ratio

#### **Eligible Transactions**

- MERIX and Genworth: Purchase, Purchase Plus Improvements, Refinance, Second homes, Rentals, Family Plan, Flexible Down payment, Cash back, Owner Occupied 3 and 4 units
- MERIX and CMHC: Purchase, Purchase Plus Improvements, Refinance, Second homes, Rentals, Family Plan, Flexible Down payment, Cash back, Owner Occupied 3 and 4 units

#### **Ineligible Transactions**

- MERIX and Genworth: New to Canada, Vacation Homes
- MERIX and CMHC: Newcomers to Canada, Non-permanent residents, Vacation homes, Business for Self Simplified



## Business For Self Simplified

### Product Description

- The Business For Self Simplified program is designed for the self employed with less than 3 years in business that cannot provide traditional sources of income verification.

### Terms And Rate Type

- 6 mos, 1 year, 2 year, 3 year, 4 year, 5 year, 6 year, 7 year and 10 year fixed rate term, 3 year or 5 year ARM

### Qualifying Rate

- See Fixed Rate, adjustable rate, 50/50 Wise Mortgage or HELOC section.

### Payment Frequency

- Accelerated Weekly
- Accelerated Bi-Weekly
- Monthly
- Semi-Monthly

### Property

- Property must meet municipal zoning/safety by-laws
- New construction/existing properties
- Fully self-contained units
- Min square footage: House is  $\geq$  800 square feet, Condo is  $\geq$  500 square feet
- Readily marketable residential dwellings, located in markets with demonstrated ongoing re-sale demand
- Older homes (pre 1950) must have been substantially modernized and the estimated remaining property (economic) life must be at least 25 years
- New construction must be covered by an insurer approved New Home Warranty Program
- **Ineligible Property Types:** Time-share interests, vacation homes, commercial zoning, Quarter share /shared ownership Fractional Interests, Co-operative Housing, Rental Pools, Life Lease Properties, Floating Homes, Boarding Houses/Rooming Houses, BC Leaky Condos, Heritage Homes, Log homes, Water access only, any properties with restrictive covenants

### Units

- Up to 2 units, owner occupied only

### Minimum Credit Requirements

- Up to 75% 600+
- 75.01% - 85% 620+
- 85.01% - 90% 650+ (purchase only)
- Strong credit and credit score with minimum 2 trade lines with at least two (2) years history
- No previous bankruptcy

### Prepayment Policy

- Prepay up to 20% of the Original Principal Balance each year based on the anniversary of the loan (minimum payment is \$1000).
- Increase payments by up to 20% of the original registered amount each anniversary year.

- Prepay or increase payments in combination – combined prepayment must be within 20% of the original principle balance

### Reasonable Income

- The insurer to determine reasonableness of the borrower's stated income.

### Amortization

- Up to 30 years high ratio (additional Mortgage Insurer premium applies)
- Up to 40 years conventional

### Documentation Requirements

- Copy of borrower's business or GST license or Article of Incorporation showing business licensed for less than 3 years
- If the documents indicate the business has been in operation for more than 3 years and the borrower indicates the business has not been active for more than 3 years, proof of third party employment including the borrower's Notices of Assessment and T4s for the past 3 years is required, demonstrating that the primary source of income was not the borrower's business.
- Signed statutory declaration by the borrower(s) indicating no income tax arrears and no GST arrears.
- Minimum 2 years in same type of work, even if not in a self-employed capacity.
- Originator to ensure the borrower understands the income stated in their application is their total personal income and not the gross business revenue.
- If the borrower has other income not related to their business, the income is eligible for inclusion in the TDS calculation. See relevant section of the product and policy guide for appropriate documentation required to substantiate the supplementary income.

### Borrower Qualification

- Maximum GDS/TDS:
- Where beacon < 680: GDS = 35%; TDS = 42%
- Where Beacon 680+: TDS = 44%, there is no GDS requirement.
- Strong credit and credit score with minimum 2 trade lines with at least two (2) years history
- No previous bankruptcy
- Traditional sources of down payment permitted excluding gifted down payment which is not permitted under this program
- Permanent residence with less than 3 years business operation
- Borrowers who have been self-employed for more than 3 years are not eligible under this program. See Business for Self Fully Qualifying program.
- Program not available to borrowers without a Canadian credit history, commissioned based borrowers and non-permanent residents. No assumption of CMHC insured loans.
- Owner occupied primary residence. All applicants used to qualify must occupy the property and provide verification of income. If salaried, traditional verification of income is required.
- Guarantors are not permitted

### Units

- Purchase 1-2 Units: 90% LTV
- Refinance 1-2 Units: 85% LTV

### Pre-approvals

- Permitted

### Prepayment Penalty

- See Fixed Rate, Adjustable Rate, HELOC and 50/50 Wise Mortgage prepayment penalty

sections.

### **Interest Rate**

- 6 mos, 1 year, 2 year, 3 year, 4 year, 5 year, 6 year, 7 year and 10 year fixed rate term, 3 year or 5 year ARM, 5 year 50/50 Wise Mortgage rates, HELOC rates

### **Loan to Value**

- Up to 90% insured, 80% conventional
- Purchase 1-2 Units: 90% LTV
- Refinance 1-2 Units: 85% LTV

### **Insurance Premium**

- Mortgage Insurer Premiums are calculated on Principal Balance based on the loan-to-value ratio

### **Eligible Transactions**

- MERIX and CMHC: Purchase, Purchase Plus Improvements, Refinance, HELOC, 50/50 Wise Mortgage

### **Ineligible Transactions**

- MERIX and CMHC: Newcomers to Canada, Non-permanent residents, Second Homes Vacation homes, Flexible Down Payment, Rental Program, Cash back, Owner Occupied Rental properties 3 and 4 units, Business for Self Fully Qualified, Family Plan, Transfers/Switches



## Genworth Business For Self ALT A

### Product Description

- The Business For Self (ALT A) program is designed for the self employed that cannot provide traditional sources of income verification

### Terms And Rate Type

- 6 mos, 1 year, 2 year, 3 year, 4 year, 5 year, 6 year, 7 year and 10 year fixed rate term, 3 year or 5 year ARM

### Qualifying Rate

- See Fixed Rate and adjustable rate mortgages.

### Payment Frequency

- Accelerated Weekly
- Accelerated Bi-Weekly
- Monthly
- Semi-Monthly

### Property

- Property must meet municipal zoning/safety by-laws
- New construction/existing properties
- Fully self-contained units
- Min square footage: House is  $\geq$  800 square feet, Condo is  $\geq$  500 square feet
- Readily marketable residential dwellings, located in markets with demonstrated ongoing re-sale demand
- Older homes (pre 1950) must have been substantially modernized and the estimated remaining property (economic) life must be at least 25 years
- New construction must be covered by an insurer approved New Home Warranty Program
- **Ineligible Property Types:** Time-share interests, vacation homes, commercial zoning, Quarter share /shared ownership Fractional Interests, Co-operative Housing, Rental Pools, Life Lease Properties, Floating Homes, Boarding Houses/Rooming Houses, BC Leaky Condos, Heritage Homes, Log homes, Water access only, any properties with restrictive covenants

### Units

- Up to 2 units with a minimum of one unit owner occupied

### Minimum Credit Requirements

- Up to 85% 640+
- 85.01% - 90% 650+ (purchase only)
- Strong credit and credit score with minimum 2 trade lines with at least two (2) years history
- No previous bankruptcy

### Prepayment Policy

- Prepay up to 20% of the Original Principal Balance each year based on the anniversary of the loan (minimum payment is \$1000).
- Increase payments by up to 20% of the original registered amount each anniversary year.
- Prepay or increase payments in combination – combined prepayment must be within 20% of

## Documentation Requirements

### ▪ **Sole Proprietorship**

Is a one-owner operation where the owner directs all the activities of the business, assumes all authorities and obligations, and is liable for its business debts. The sole proprietor income is reported to revenue Canada on the standard tax return (T1 General) together with Revenue Canada's required statement of business or professional activities.

Documentation requirements confirming a minimum of 2 years business for self:

- T1 Generals with statement of business activities attached for a minimum 2 years prepared by an arms length third-party
- Audited Financial Statements for the last 2 years, prepared and signed by a CA
- Business License
- GST/HST Return Summary
- Plus confirmation of no tax arrears, (recent NOA).

### ▪ **Partnerships**

Partnerships are businesses owned by two or more individuals who share the profits or losses of the business operation. The partnership income is reported to Revenue Canada on the standard Tax report (T1 General) together with Revenue Canada's required statement of business or professional activities, which reflects the percentage of the NET income or loss for each partner of the enterprise.

Documentation requirements confirming a minimum of 2 years business for self:

- T1 Generals with statement of business activities attached for a minimum 2 years prepared by an arms length third-party
- Audited Financial Statements for the last 2 years, prepared and signed by a CA
- Business License
- GST/HST Return Summary
- Plus confirmation of no tax arrears, (recent NOA).

### ▪ **Corporations**

A limited company or corporation is a legal entity, separate from the persons (all shareholders) who own it. The business can own assets, enter into contracts and conduct business transactions in its own capacity. The company is called limited because the liability of the shareholders is limited to their investment. All provincial Corporations must obtain articles of incorporation from the province in which they are registered or may be Federally incorporated. The applicant's personal income will be reported by T4 from the corporation.

Documentation requirements confirming a minimum of 2 years business for self:

- Audited Financial statements for the last two years, prepared and signed by a Chartered Accountant (CA)
- Articles of incorporation
- Plus confirmation of no tax arrears, (recent NOA).

## Reasonable Income

### What is “reasonable”?

- When underwriting a BFS application, the underwriter will look at the likelihood of the applicant’s ability to earn what is stated on the application. The goal when underwriting any application, including BFS, is to feel confident that the applicant is able to adequately service the mortgage debt.
- As part of this process for BFS applications, the underwriter will among other things look at the income declared on the NOA (as the NOA is reviewed to ensure no taxes are owing). For example, if the discrepancy between what is declared in the NOA and what is stated in the application is unusually large given the type of occupation and its ability to earn cash income, the underwriter may, at their discretion, ask for additional supporting documentation. The third party documentation evidencing at least 2 years continuous Business for Self is reviewed for quality. Handwritten T1 Generals by the applicant, for example, do not meet this third party requirement.
- Businesses which generate all cash earnings (no declared earnings) and applicants with multiple businesses are generally unable to meet the income or third party documentation requirements of the Business For Self (ALT A) program.
- The conditions outlined in the commitment for any BFS application are subject to this test of “reasonableness” and MERIX will ask for supporting documentation where the level of income is thought to not be reasonable given the occupation’s ability to earn cash income, and size and line of business.
- MERIX appreciates you sending us your BFS customers and working with us to ensure there is a sense of reasonableness with respect to the documentation being presented.
- Recognizing that each application is unique, MERIX will continue to review each file on a case by case basis with an eye to supporting our Originators. That said, please do not hesitate to contact us with respect to a BFS scenario and the documentation you wish to present for test/discussion of “reasonable”.

## Amortization

- Up to 30 years high ratio (additional Mortgage Insurer premium applies)
- Up to 40 years conventional

## Borrower Qualification

- Maximum GDS/TDS:
- Where beacon < 680: GDS = 35%; TDS = 42%
- Where Beacon 680+: TDS = 44%, there is no GDS requirement.
- Owner occupied primary residence. All applicants used to qualify must occupy the property.
- Spousal guarantors acceptable provided they occupy the subject property
- Non-occupant co-borrowers or guarantors not permitted
- The income reported by the borrower must be reasonable based on the industry, length of operation and type of business
- Strong credit and credit score with minimum 2 trade lines with at least two (2) years history
- Genworth will average the scores pulled from both credit bureaus for each borrower, and the minimum score requirement will apply to all borrowers on the application
- No mortgage, installment or revolving credit delinquencies appearing on the credit bureau in the past 12 months
- No reported defaults on residential mortgages for the past 7 years

- No previous bankruptcy
- Minimum 5% down payment from the borrowers own savings. The remainder may be gifted from an immediate family member. Borrowed down payments are not permitted.
- Borrowers with commission income are ineligible
- Lender to ensure borrower(s) have no tax arrears
- Maximum one (1) Genworth-insured Alt. A mortgage

### Units

- Purchase 1-2 Units: 90% LTV
- Refinance 1-2 Units: 85% LTV

### Pre-approvals

- Permitted

### Prepayment Penalty

#### **For Fixed Rate terms 5 years or less:**

- Greater of IRD or 3 month's Interest. IRD is based on difference between customer rate and the then current interest rate offered by MERIX for a term closest to the term remaining on the mortgage.

#### **Term more than 5 years**

- If you have a fixed interest rate on your mortgage and a term greater than 5 years and
  - (a) prepayment occurs within the first 5 years of the term, payment of a prepayment charge equal to the GREATER of the interest rate differential (IRD) or 3 months interest calculated on the outstanding loan amount, and
  - (b) if prepayment occurs after the first 5 years of the term, payment of a prepayment charge of 3 months interest calculated on the outstanding loan amount

#### **5-year ARM term**

- 3 months interest at the current customer rate on the prepaid amount that exceeds the annual prepayment allowance.

### Interest Rate

- 6 mos, 1 year, 2 year, 3 year, 4 year, 5 year, 6 year, 7 year and 10 year fixed rate term, 3 year or 5 year ARM

### Loan to Value

- Up to 90% insured, 80% conventional
- Purchase 1-2 Units: 90% LTV
- Refinance 1-2 Units: 85% LTV

### Loan Amounts

- Metro Toronto, Metro Calgary & Metro Vancouver: \$750,000
- Rest of Canada: \$600,000
- Exceptions to these loan amounts considered case by case.

### Insurance Premium

- Mortgage Insurer Premiums are calculated on Principal Balance based on the loan-to-value ratio

### Eligible Transactions

- MERIX and Genworth: Purchase, Purchase Plus Improvements, Refinance

## Ineligible Transactions

- MERIX and Genworth: New to Canada, Family Plan, Second Homes, Vacation Homes, Flexible Down Payment, Rental Program, Cash back, Owner occupied Rental properties 3 and 4 units



## Family Plan Program

### Product Description

- The Family Plan mortgage enables customers to assist family members that don't meet income requirements with the purchase of a home. Ideal for parents wishing to buy a home for their children in post-secondary schools and for adult children buying a home for their elderly parents.

### Terms And Rate Type

- 6 mos, 1 year, 2 year, 3 year, 4 year, 5 year, 6 year, 7 year and 10 year fixed rate term, 3 year or 5 year ARM

### Qualifying Rate

- See Fixed Rate or adjustable rate mortgage section.

### Payment Frequency

- Accelerated Weekly
- Accelerated Bi-Weekly
- Monthly
- Semi-Monthly

### Eligible Property

- Maximum two units with at least one unit occupied by the immediate family member as the principal residence
- New construction or existing properties
- Property must be in good condition with good marketability
- Must be located in municipality with proven resale market stability
- Fully self-contained units
- Estimated remaining property (economic) life must exceed the amortization of the loan by a minimum of 5 years
- Min square footage: House is  $\geq$  800 square feet, Condo is  $\geq$  500 square feet
- **Ineligible Property Types:** Time-share interests, vacation homes, commercial zoning, Quarter share /shared ownership Fractional Interests, Co-operative Housing, Rental Pools, Life Lease Properties, Floating Homes, Boarding Houses/Rooming Houses, BC Leaky Condos, Heritage Homes, Log homes, Water access only, any properties with restrictive covenants
- Must be zoned and used as residential
- Freehold or condominium title. We do not accept co-ops or  $\frac{1}{4}$  interest ownership

### Prepayment Policy

- Prepay up to 20% of the Original Principal Balance each year based on the anniversary of the loan (minimum payment is \$1000).
- Increase payments by up to 20% of the original registered amount each anniversary year.
- Prepay or increase payments in combination – combined prepayment must be within 20% of the original principle balance

## Minimum Credit Requirements

- 600+ up to 80% loan to value purchase and refinance
- 620+ (program specific requirements apply) 80.01% to 95% loan to value purchase
- Applicant(s) buying the home for a family member must have clean credit, stable employment and income, positive net worth and a down payment from own resources

## Amortization

- Up to 30 years high ratio (additional Mortgage Insurer premium applies)
- Up to 40 years conventional

## Borrower Qualification

- Maximum GDS/TDS:
- Where beacon < 680: GDS = 35%; TDS = 42%
- Where Beacon 680+: TDS = 44%, there is no GDS requirement.
- Applicants must have a minimum two years credit history on Credit Bureau
- The income and debts, including shelter costs, of all persons on the application will be used along with those of the occupying borrower to calculate the TDSR
- An immediate family member is defined as a father, mother, child, brother, sister, grandparent, legal guardian, or legal dependant
- All qualifying applicants, including the resident family member, must be on the title
- All regular qualifying criteria for purchase business apply
- This program does not include the purchase of non-owner-occupied investment properties, nor purchases for family members with poor credit

## Units

- Maximum 2 units, 1 – 2 units – Up to 95% LTV purchase only

## Pre-approvals

- Permitted

## Prepayment Penalty

### For Fixed Rate terms 5 years or less:

- Greater of IRD or 3 month's Interest. IRD is based on difference between customer rate and the then current interest rate offered by MERIX for a term closest to the term remaining on the mortgage.

### Term more than 5 years

- If you have a fixed interest rate on your mortgage and a term greater than 5 years and (a) prepayment occurs within the first 5 years of the term, payment of a prepayment charge equal to the GREATER of the interest rate differential (IRD) or 3 months interest calculated on the outstanding loan amount, and (b) if prepayment occurs after the first 5 years of the term, payment of a prepayment charge of 3 months interest calculated on the outstanding loan amount

### 3 year or 5-year ARM term

- 3 months interest at the current customer rate on the prepaid amount that exceeds the annual prepayment allowance.

## Interest Rate

- 6 mos, 1 year, 2 year, 3 year, 4 year, 5 year, 6 year, 7 year and 10 year MERIX posted Fixed Rate, 3 year or 5 year posted ARM rate

**Loan to Value**

- 1 – 2 units – Up to 95% LTV purchase only

**Insurance Premium**

- Mortgage Insurer Premiums are calculated on Principal Balance based on the loan-to-value ratio

**Eligible Transactions**

- MERIX and Genworth: Purchase, Purchase Plus Improvements, Business for Self Fully Qualified
- MERIX and CMHC: Purchase, Purchase Plus Improvements, Business for Self Fully Qualified

**Ineligible Transactions**

- MERIX and Genworth: Refinance, Second Homes , Vacation properties, Flexible down payment, Cash Back, Owner occupied rental 3 and 4 units, New to Canada, Rental Program, Family Plan
- MERIX and CMHC: Refinance, Second homes, Vacation properties, Flexible Down Payment, Cash Back, Owner occupied rental 3 and 4 units, Newcomers to Canada, Non-Permanent Residents, Rental Program, Business for Self Simplified



## Switch Program

### Product Description

- The Switch program allows a customer to transfer their mortgage from another lender to MERIX mortgages quickly and efficiently.

### Terms And Rate Type

- 3 year, 4 year, 5 year, 6 year, 7 year and 10 year fixed rate term, 3 year or 5 year ARM

### Qualifying Rate

- See Fixed Rate or adjustable rate mortgage section.

### Acceptable Financial Institutions

- Maple Trust, Firstline Mortgages, TD Canada Trust, First National Financial, MCAP, Scotiabank, Bank of Montreal, HSBC, ING, Laurentian Bank, CIBC, Royal Bank, National Bank, PC Financial, Macquarie Financial

### Acceptable Purpose

- Switches are permitted only where no new funds are required MERIX mortgages will permit a maximum increase of \$1000 over the amount to be transferred.
- Switches cannot be completed where the existing mortgage is non-transferable (as is the case where a collateral charge was used to secure the property).

### Eligibility

- Transfers of existing Conventional (uninsured) mortgages (LTV less than 80% at the time of application).
- Transfers of existing High Ratio (insured) Mortgages, where the Insurance is through Genworth or CMHC (LTV greater than 80% at the time of application).
- Owner-Occupied properties only. Second Homes are considered owner occupied.
- Minimum loan amount \$100,000 and minimum amortization 15 years

### Appraisal Requirements

- Where the mortgage is existing insured by Genworth, no appraisal is required. (Existing Genworth policy number is required).
- Where the mortgage is existing insured by CMHC, no appraisal is required. (Existing CMHC policy number is required.)
- Where the mortgage is existing insured by Genworth or CMHC and LTV is less than 80%, MERIX mortgages will require a full appraisal.

### Payment Frequency

- Accelerated Weekly
- Accelerated Bi-Weekly
- Monthly
- Semi-Monthly

### Eligible Property

- New construction or existing properties
- Fully self-contained units
- Estimated remaining property (economic) life must exceed the amortization of the loan by a minimum of 5 years

- Min square footage: House is  $\geq$  800 square feet, Condo is  $\geq$  500 square feet
- **Ineligible Property Types:** Time-share interests, vacation homes, commercial zoning, Quarter share /shared ownership Fractional Interests, Co-operative Housing, Rental Pools, Life Lease Properties, Floating Homes, Boarding Houses/Rooming Houses, BC Leaky Condos, Heritage Homes, Log homes, Water access only, any properties with restrictive covenants
- Freehold or condominium title. We do not accept co-ops or  $\frac{1}{4}$  interest ownership

### Pricing

- Under this program, no fees are levied to the Originator or the customer by MERIX for the transfer of the mortgage.
- MERIX will reimburse the originator directly after funding for the cost of the appraisal. A copy of the invoice is required. A maximum of \$375 will be reimbursed for appraisal costs.

### Amortization

- Minimum 15 years amortization
- Up to 30 years high ratio (additional Mortgage Insurer premium applies)
- Up to 40 years conventional
- Note Amortization cannot exceed the registered amortization less time past. For example, a deal funded with a 35 year amortization switching to MERIX after 3 years can have a maximum amortization of 32 years.

### Prepayment Penalty

#### For Fixed Rate terms 5 years or less:

- Greater of IRD or 3 month's Interest. IRD is based on difference between customer rate and the then current interest rate offered by MERIX for a term closest to the term remaining on the mortgage.

#### Term more than 5 years

- If you have a fixed interest rate on your mortgage and a term greater than 5 years and (a) prepayment occurs within the first 5 years of the term, payment of a prepayment charge equal to the GREATER of the interest rate differential (IRD) or 3 months interest calculated on the outstanding loan amount, and (b) if prepayment occurs after the first 5 years of the term, payment of a prepayment charge of 3 months interest calculated on the outstanding loan amount

#### 3 year or 5-year ARM term

- 3 months interest at the current customer rate on the prepaid amount that exceeds the annual prepayment allowance.

### Interest Rate

- Note product/program guidelines apply and may differ from this policy
- Current 3 year, 4 year, 5 year, 6 year, 7 year and 10 year MERIX posted Fixed Rate, 3 year or 5 year MERIX posted ARM rate
- For borrowers switching/transferring their mortgage under the MERIX Switch/Transfer Program the maximum rate hold is 120 days from the application date (note: product/program policies may differ). Should the 120 day rate hold expire and the borrower/originator would like to extend the approval a new deal must be submitted. The rate at the subsequent submission will be at the then prevailing MERIX program rates.
- Our originators will be notified on a best efforts basis by a MERIX credit team member 5 days prior to the expiration of the rate hold. MERIX cannot be held responsible for rate holds that have expired without notice by a MERIX credit team member. It is the originator's responsibility to contact the applicable MERIX credit team member to provide a transaction

status update.

- MERIX will only accept an increase to the loan amount of \$1,000. Any increase above \$1,000, the transaction becomes a Refinance External Client, subject to a maximum 60 day rate hold policy.

### **Insurance Premium**

- Mortgage Insurer Premiums are calculated on Principal Balance based on the loan-to-value ratio

### **Process**

- If the customer wishes to increase their mortgage up to a maximum of \$1000, the Originator must include this amount in the loan amount in the application. (i.e. if the estimated payout amount is \$131,000, the Originator should apply for \$132,000).
- MERIX will forward the originator at the time of commitment, by fax or email, the Cost of Borrowing Disclosure which they will be required to have the customer sign and return to MERIX along with:
  - The completed Payout Authorization Form
  - A copy of the fire insurance policy.
  - The most recent renewal agreement or mortgage statement.
  - A copy of the appraisal invoice (for reimbursement on closing)
  - Any other approval conditions related to the file.
- Upon receipt of the complete above documents, MERIX will forward the file to FNF Canada to process the transfer.
- FNF Canada will be responsible for obtaining the payout/discharge statement from the existing lender and, once received, will forward payment to the existing Financial Institution by courier.
- Please note, your customer will not be contacted by FNF during this process unless there are problems with FNF receiving the payout information from the existing institution.



## Refinance Closing Program

### Product Description

- The MERIX Refinance Closing Program allows your customer to refinance their existing mortgage without the need to find their own solicitor, and in most cases, have the documents signed in the comfort of their own home.

### Acceptable Purpose

- Transfers from other Financial Institutions where additional funds are required.
- Increase of an existing MERIX mortgage

### Pricing

- Ontario: \$499 +PST/GST (plus cost of registering the new charge and discharge)
- Alberta: \$409 + PST/GST (plus cost of registering the new charge and discharge)
- British Columbia: \$479 +PST/GST (plus cost of registering the new charge and discharge)
- Saskatchewan: \$499 + PST/GST (plus cost of registering the new charge and discharge)
- Manitoba: \$499 + PST/GST (plus cost of registering the new charge and discharge)
- Nova Scotia: \$559 + PST/GST (plus cost of registering the new charge and discharge)
- Prince Edward Island: \$499 + PST/GST (plus cost of registering the new charge and discharge)
- Newfoundland and Labrador: \$559 + PST/GST (plus cost of registering the new charge and discharge)
- New Brunswick: \$559 + PST/GST (plus cost of registering the new charge and discharge)

**\*The costs of registering a new charge and discharge** of the existing mortgage can vary and are administered by the province.

#### The prices above include:

- All necessary sub-searches (both on & off title)
- Execution search for up to two borrowers
- Preparation of all necessary documentation
- Review of documentation with customer
- Signing of documentation with customer
- Title insurance up to \$500,000
- Title search
- Conveyancer's fee for closing
- Recovery of costs relating to faxing, postage, photocopies
- Reasonable courier charges

#### The prices above do not include:

- **Registration of Mortgage**
- **Registration of Discharge**
- **Provincial and Federal Sales Taxes**
- Payment of Unsecured Debts
- Estoppel certificate
- Preparation of ILA certificate, Power of Attorney, Change of Name Certificate, Survivorship Application

- Execution clearance comfort letters
- Execution search, if requesting particulars
- Execution search, if more than two borrowers
- Potability certificates
- Health/septic clearances
- Conservation/environmental clearances
- Tax and/or hydro certificate
- Corporate status certificate
- Fees and disbursements resulting from the property being a rental unit
- Multiple mortgage advance
- Extraordinary courier costs as dictated by borrower circumstance

Please note that if problems/issues appear on title, funds cannot be advanced until all outstanding issues have been resolved. In these circumstances additional services may be completed by Anderson Sinclair LLP and additional charges may apply. Your customer will be immediately informed of any issues and provided with an estimate of any additional charges.

### **Process**

- By default, MERIX will choose FNF as the closing solicitor on the customer's commitment at the time of approval. No action is required by the originator or customer to use this service.
- The Originator is required to notify the underwriter if their customer wishes to use their own solicitor.
- If the Originator has not provided Solicitor's information to MERIX at least 5 business days prior to closing, the Underwriter will select the FNF closing program by default and notify the Originator the file is proceeding with the MERIX FNF Closing Program.
- If the file is proceeding with FNF, the following documents/information is required prior to MERIX instructing FNF:
  - Client Authorization – To instruct existing FI to produce a payout statement. FNF is responsible for following up with the other FI.
  - Copy of Fire Insurance particulars.
  - Legal description of property (to allow FNF to do the required searches).
- Once all conditions are met, MERIX will forward the file to FNF Canada for Processing.
- FNF Canada will send a Welcome Letter to your customer, explaining who they are and how this process will unfold.
- FNF Canada will forward the refinance documentation to its lawyer network (B.C. only) or it's professional remote signors, who will call the customer directly and arrange a time and place that is convenient for them to sign. Your customers will be asked to provide Identification at the signing.
- Funds can be expected within 5 business days of FNF receiving the file from MERIX Possible reasons for delay include:
  - Any documentation required by FNF from the customer, such as unsecured debt payout statements which were not previously provided to MERIX, not received in a timely manner.
  - A proper discharge statement is not received in a timely manner from another financial institution.
  - The customer is unable to arrange a meeting with the lawyer or professional signor in a timely manner.

# Interest Rate and Rate Hold Policy

**Note:** Product/Program specific guidelines apply and may differ from the following policies.

## Pre-Approvals

MERIX will issue pre-approvals that are valid 120 days from application date. Originators must resubmit a new application if the 120 days from application has expired and they wish to keep the borrower approved. The rate on the subsequent 120 days from resubmission will be at the then prevailing MERIX program rates.

Once a pre-approval has changed status to a commitment issued and the deal does not fund, the rate will be held for the initial 120 days from application and remain in Commit Offered status.

In the event MERIX rates decrease and originators would like to receive the new lower rate and extend the pre-approval for another 120 days, originators must resubmit the application for pre-approval.

Material changes will require submission of a new deal. The resulting rates will be the then prevailing MERIX program rates.

Material changes are defined as:

- If the loan amount exceeds 10% of the original approved amount
- Product type changes or term changes (ie 5 year term change to 3 year term change)

## Purchases

The MERIX rate hold applicable to purchase transactions will be the lesser of 120 days from application or the closing date stated on the application. Should the original closing date fall prior to the 120 days from application and the originator wishes to extend the commitment to the 120 days from the original application, the following is applicable:

1. Originator notification must be received within 48 hours prior to the original scheduled closing date to extend the purchase commitment to the 120 days from the initial application date.
2. Without originator notification within 48 hours of the expiry of the original closing date, our systems will automatically collapse the deal and the 120 day rate hold from the initial application will not apply in this instance.

MERIX does not provide pre-approval rate holds greater than 120 days. For transactions submitted with a closing date greater than 120 days, we will change the scheduled closing date to 120 days from application date.

Any material changes will require submission of a new deal. See Pre-Approvals section

above for definitions of material changes.

Our originators will be notified on a best efforts basis by a MERIX credit team member 5 days prior to the expiration of the rate hold. MERIX cannot be held responsible for rate holds that have expired without notice by a MERIX mortgage credit team member. It is the originator's responsibility to contact the applicable MERIX credit team member to provide a transaction status update.

## **Straight Ports**

A port is a substitution of the property on an existing mortgage. All other terms and conditions of the transaction remain unchanged. The borrowers, product type, maturity date, mortgage amount and amortization remain the same. The new property and borrowers must be re-qualified and fall within the MERIX lending and property guidelines.

The maximum loan to value for a port transaction is 95%. See product and program policies for specific requirements as maximum loan to value requirements may differ.

The borrowers have the option to pay down the mortgage within the prepayment privilege of their mortgage (typically referred to as a port and decrease). If the decreased mortgage amount exceeds the applicable program prepayment privilege the client will be subject to a prepayment penalty on the funds that exceed the prepayment privilege. The new property and borrower must be qualified and fall within the MERIX property guidelines.

Note 1: MERIX must receive prior written notice of borrower's intentions to port their mortgage to a new property. Once the original mortgage is discharged and no prior written notification has been received the borrower will not be refunded the penalty that was paid upon discharge of the original mortgage.

## **Port with a Gap**

MERIX will allow for a 30 day window or "port with a gap" as long as all terms and conditions (same borrowers, maturity date, product type and amortization) of the mortgage remain the same. Port with a gap is defined as the difference between the sale of the original property and the purchase of the new property. Upon discharge of the original mortgage the prepayment penalty will be charged along with the applicable provincial discharge fee. The prepayment penalty is returned to the client upon funding of the new mortgage so long as MERIX has received prior notice of the borrower's intention to port. Port transactions that occur outside of the 30 day gap will be subject to full program/product penalties that will not be refunded and the rate hold will follow the policy and procedure set out in the Purchases section of this document.

The maximum loan to value for a port transaction is 95%. See product and program policies for specific requirements as maximum loan to value requirements may differ.

Note 1: MERIX must receive prior written notice of the borrower's intentions to port their mortgage to a new property. Once the original mortgage is discharged and no written

prior notification has been received the borrower will not be refunded the penalty that was paid upon discharge of the original mortgage.

Note 2: Should the originator submit for a pre-approval (full penalties and discharge fees apply – only secures rate for 120 days) for a port and we have not received prior written notification of the intention to port the mortgage the rate hold is null and void.

## **Port and Increase**

A port and increase is a substitution of the property on an existing mortgage with an increase in funds. Aside from the increase in funds, all other terms and conditions of the transaction remain unchanged. The borrowers, product type, maturity date, amortization remain the same. The new property and borrowers must be re-qualified and fall within the MERIX lending and property guidelines. The borrowers must be qualified on the new loan amount. Port and Increase with a gap is also permitted. See Port with a Gap policy section above.

The maximum loan to value for a port transaction is 95%. See product and program policies for specific requirements as maximum loan to value requirements may differ.

1. If the borrower has an ARM product the rate on the new mortgage will be the greater of the existing ARM rate or prevailing ARM rate (program specific rates apply).
2. If the borrower has a fixed rate mortgage the rate on the new mortgage will be a blended fixed rate calculated as shown below (program specific rates apply):

$$\frac{(\text{Existing mortgage amount} \times \text{existing program rate} + \text{Additional funds} \times \text{prevailing program rate})}{\text{Total new mortgage amount}}$$

Total new mortgage amount

= New weighted average rate for the total mortgage amount

Note 1: The rate on the additional or new funds used will match the remaining maturity as closely as possible. For instance, if 3 years and 2 months is the remaining term of the existing mortgage the new prevailing program/product rate for the blend calculation for the new funds will be for a 3 year fixed rate mortgage.

## **Refinance Transactions**

### **Refinance External Client:**

For borrowers that are not existing MERIX clients and wish to refinance a mortgage with MERIX the maximum rate hold is 60 days from the application date. Should the 60 day rate hold expire and the borrower/originator would like to extend the approval a new deal must be submitted. The rate at the subsequent submission will be at the then prevailing MERIX program rates.

Our originators will be notified on a best efforts basis by a MERIX credit team member 5

days prior to the expiration of the rate hold. MERIX cannot be held responsible for rate holds that have expired without notice by a MERIX credit team member. It is the originator's responsibility to contact the applicable MERIX credit team member to provide a transaction status update.

Any material changes as noted in pre-approval section of this document will require a new deal to be submitted.

#### **Refinance Existing Client:**

The existing borrower is breaking the existing mortgage terms and conditions and taking out a new mortgage. An example of breaking the existing mortgage terms and conditions is a change to the product type, amortization or maturity date. This transaction is subject to the full applicable product early payout fees and penalties.

A 60 day rate hold will apply to refinance existing client transactions. The borrower will receive the then prevailing MERIX mortgage program rate. Should the 60 day rate hold expire and the borrower/originator would like to extend the approval a new deal must be submitted. The rate at the subsequent submission will be at the then prevailing MERIX program rates.

Our originators will be notified on a best efforts basis by a MERIX credit team member 5 days prior to the expiration of the rate hold. MERIX cannot be held responsible for rate holds that have expired without notice by a MERIX credit team member. It is the originator's responsibility to contact the applicable MERIX credit team member to provide a transaction status update.

Any material changes as noted in pre-approval section of this document will require a new deal to be submitted.

#### **Equity Take Out (ETO) Existing Client:**

The existing borrower is requesting what is commonly referred to as a blend and increase. Aside from the increase in funds, the client's mortgage terms and conditions remain unchanged. The borrowers, product type, amortization and maturity date remain the same. The clients will be responsible for payment of the applicable provincial discharge fees.

A 60 day rate hold will apply to equity take out (ETO) existing client transactions. Should the 60 day rate hold expire and the borrower/originator would like to extend the approval a new deal must be submitted. The rate at the subsequent submission will be blended with the then prevailing MERIX mortgage rates. Specific product rate policies for equity take out (ETO) existing client transactions are noted below.

Our originators will be notified on a best efforts basis by a MERIX credit team member 5 days prior to the expiration of the rate hold. MERIX cannot be held responsible for rate

holds that have expired without notice by a MERIX credit team member. It is the originator's responsibility to contact the applicable MERIX credit team member to provide a transaction status update.

Any material changes as noted in pre-approval section of this document will require a new deal to be submitted.

1. If the borrower has an ARM product the rate on the new mortgage will be the greater of the existing ARM rate or prevailing ARM rate (ie if existing ARM rate is Prime – 0.90% and prevailing ARM rate is Prime – 0.60%, Prime – 0.60% will apply to the entire loan amount).
2. If the borrower has a fixed rate mortgage the rate on the new mortgage will be a blended fixed rate calculated as shown below:

$$\frac{(\text{Existing mortgage amount} \times \text{existing program rate} + \text{Additional funds} \times \text{prevailing program rate})}{\text{Total new mortgage amount}}$$

= New weighted average rate for the total mortgage amount

3. In the event an existing client has extended amortization greater than 30 years on a high ratio mortgage and would like to add new money by refinancing, the borrower can obtain a brand new high ratio term and 30 year amortization.

**OR in some instances (but not all)** the borrower can choose to blend the amortization with the available amortization option of maximum 30 years for high ratio mortgages. The blended calculation is as follows:

Original loan: \$200,000 with 38-yrs amortization remaining (original 40yrs - 2yrs elapsed = 38 remaining)

Additional Money: \$100,000 with a 30-yr amortization (current maximum available for high ratio transactions)

Formula:  $(200,000 \times 38 + 100,000 \times 30) / (200,000 + 100,000)$

Blended Amortization = 35 yrs

## Switches/Transfers from Other FI's

For borrowers switching/transferring their mortgage under the Switch/Transfer Program the maximum rate hold is 120 days from the application date. Should the 120 day rate hold expire and the borrower/originator would like to extend the approval a new deal must be submitted. The rate at the subsequent submission will be at the then prevailing

program rates. Minimum loan amount \$100,000 with a minimum amortization of 15 years.

Our originators will be notified on a best efforts basis by a MERIX credit team member 5 days prior to the expiration of the rate hold. MERIX cannot be held responsible for rate holds that have expired without notice by a MERIX credit team member. It is the originator's responsibility to contact the applicable MERIX credit team member to provide a transaction status update.

MERIX will only accept an increase to the loan amount of \$1,000. Any increase above \$1,000, the transaction becomes a Refinance External Client, subject to a maximum 60 day rate hold policy.

**Note:** Please see the MERIX product and policy guide for the switch/transfer program transaction details.

## **Renewals**

A renewal notice will be sent 35 days prior to the borrower(s)' maturity date and the rate guarantee will be for the 35 day period prior to the maturity date of the original mortgage.

In the event we do not receive written notice or instructions from the client the mortgage will auto-renew into a 6 month open fixed rate product priced at or above the MERIX prime rate. The borrower can call at any time to convert the 6 month open fixed rate mortgage to their choice of MERIX mortgage product. Note at renewal, if new product/program chosen has different policies, qualifications or guidelines from that of the original mortgage the borrowers may need to be re-qualified by MERIX.

## **Conversions (ARM rate to Fixed Rate)**

MERIX will hold the fixed rate for an ARM conversion for up to the next scheduled payment date and the change to fixed rate will occur on the next payment date. Borrowers may choose fixed rate term equal to or greater than their existing ARM term.

Borrower(s) must provide MERIX a written request to convert or sign our conversion extension agreement at least ten days before the next regular payment date. The fixed interest rates or adjustable interest rates that are in effect on the date we receive the written request or signed conversion extension agreement will apply to your mortgage. The amortization period of the mortgage may not be changed on a conversion

## **Covenant Changes**

A covenant change is defined as adding, replacing or removing a borrower from the mortgage. All remaining, replacement or additional borrowers must be qualified for the mortgage. The borrower is responsible for all legal fees incurred in the processing of a covenant change.

## **Match a Payment and Miss a Payment Option**

You may match any regular payment on a regular mortgage payment date as long as the mortgage is not in default. Match a Payment means you have prepaid an amount equal to your regular mortgage payment and is subject to the yearly maximum partial prepayment amount. You may miss any regular payment as long as you have already matched a payment earlier in the term and your mortgage is not in default. Previous matched payments may not be used to miss a payment if this mortgage is assumed by a subsequent purchaser.

# Lending Policy – General Guidelines

## Income Confirmation

### Acceptable Income Sources

- Letter of Employment
- Notice of Assessments (NOA)
- Pay Stub
- Direct Pay Deposits
- Other Types of Income Confirmation

**\*\*\*T4's are not accepted as proof of income\*\*\***

### *Letter of Employment*

Letters of Employment are acceptable for the following income sources:

- Salaried/Hourly employees
- Maternity/Parental/Adoption Leave, 100% of employment income can be used
- Pension/Disability income

### *Notice of Assessment*

Notices of Assessment are acceptable for the following income sources:

- Self Employed (income can be grossed up by 15%)
- Fluctuating income (Commissions, Bonuses, Profit sharing, Overtime, Gratuities)
- Contract Employment
- Investment Income
- Professionals (Defined as: Physicians (MD's, Specialists etc.) Dentists, Veterinarians, Lawyers, Accountants (CA, CGA, CMA)
  
- 2 year average is required for Insured Mortgages
- 2 year average is required for Conventional Mortgages
- Note: Notice of Assessments, applicants may be required to provide a signed T1013.

### *Payroll Statement (Pay-Stub)*

Pay Stubs are acceptable for the following income sources:

- Salaried/Hourly employees
- Pension Income
- Disability/Workers Compensation

### ***Direct Pay Deposit***

Direct Deposit is acceptable for the following income sources:

- Salaried/Hourly employees
- Pension Income
- Disability income

### **Other Sources of Income**

All forms of other income are to be confirmed to be constant and must prove the source is bona fide and stable.

### ***Alimony/Child Support***

- Most recent notice of assessment supported by a copy of the formal separation agreement
- OR
- Four month history showing regular alimony/child support payment deposit (as outlined under Direct Deposit guidelines) supported by a copy of the formal separation agreement.

Conversely, if your customer declares alimony or child support payments, they can either be included as a liability or deducted from confirmed gross income and the net income figure used for calculation of debt service ratios.

### ***Maternity/Parental/Adoption Leave***

Full return to work salary is acceptable for qualification purposes. A letter from the employer is required indicating the position the person is returning to, the return date, and the salary/income upon return.

### ***Investment Income/ RRIF Income***

When confirming Investment Income copies of the investment statements are required to confirm the assets generating the income, along with Notice of Assessment as detailed below:

- Line 150 provides a total of all reported sources of income
- Tax arrears must be confirmed as paid prior to advancing credit
- 2 year average is required for Insured Mortgages
- 2-year average is required for Conventional Mortgages

### **CMHC Rental Income**

- Maximum TDS 40%
- 50% percent of rental income from the subject property may be included into the borrower's gross annual income for the purpose of calculating the borrower's Total Debt Service Ratio.
- **TDS calculation scenarios**
- **P=Principal I=Interest T= Taxes H=Heat OD=Other Debts**
  - **Subject Property is Owner Occupied Rental with rental income from this property (ie basement apt., suite or duplex)**  
  
$$\text{TDS} = \frac{\text{P} + \text{I} + \text{OD}}{\text{Gross Income} + 50\% \text{ of rents}}$$
  - **Subject property is rental and principal residence also has rental income**  
  
$$\text{TDS} = \frac{\text{P} + \text{I} + \text{OD} + \text{PI principal residence}}{\text{Gross Income} + 50\% \text{ of subject rent} + 50\% \text{ of owner occupied rent}}$$
  - **Subject is owner occupied and the borrower owns rentals**  
  
$$\text{TDS} = \frac{(\text{P} + \text{I} + \text{T} + \text{H owner occupied}) + \text{OD (no PITH rentals)}}{\text{Gross Income} + \text{Net Rents}^*}$$

\*If net rents is a loss this amount is added to Other Debts (OD)
  - **Subject is rental and the borrower owns other rental properties**  
  
$$\text{TDS} = \frac{\text{P} + \text{I principal residence} + \text{OD (No PITH rentals)}}{\text{Gross Income} + 50\% \text{ of subject rent} + \text{Net Rents}^*}$$

\*If net rents is a loss this amount is added to Other Debts (OD)
- **CMHC and Genworth:** Also include 50% of condo fees when applicable
- **NOTE:** Income from a non-conforming basement suite will be considered on an exception basis only and is typically not used. CMHC will not accept income from a non-conforming basement suite

### **CMHC Net Rents Calculations**

- **Net Rents Surplus/Shortfall:**
  - Net rental income is to include gross rents less operating expenses and the Principal and Interest portion of any loan payment that is secured by a mortgage on the property. Property taxes will be deducted to determine net income as well.
  - If the borrower pays interest only and can provide documentation, any principal payments would be considered optional and not included.
  - Operating expenses include factors for management expenses where applicable as well as vacancy and maintenance expenses.

- Fire insurance will also be a mandatory expense if the property is not a condominium.
- 50% of condominium fees must be included if applicable
- Leasehold properties 100% of site or ground rents must be included.
- The net rental surplus/shortfall will be serviced in the mortgage application.

**OR:**

- **Net rental income from other properties using T776, T1 Generals or NOA:**
  - Net rental income may be determined by using the borrower’s Canada Revenue Agency T776 Statement of Real Estate Rentals or T1 generals.
  - If using net rental income from the borrower’s tax return, the figure can be grossed up by 15% only if deductions have been taken to depreciate or amortize capital assets.
  - The 15% gross up can also be applied to rental income if the borrower has taken self-employed deductions associated with the rental income that were not included in the Statement of Real Estate rentals form such as business use of home or motor vehicle expenses, only if the income has not already been grossed up by 15% to offset the depreciation or amortization of capital assets.
  - The average income for the previous two years Notice of Assessments line 150 plus 15% gross up.
  - **NOTE:** The average of the most recent 2 years net rental income will be used to ensure the rental income is stable. If stable, the current net rental income can be used.
- **Rental Income confirmation**
  - The borrower’s Canada Revenue Agency declaration (i.e. T1 General and/or T776) or
  - Audited financial statements or review engagement financial statements prepared by a practicing accountant or
  - An appraisal containing the reasonable rent rate and expenses for the units rented or
  - Signed lease agreements (only to be used to verify gross rental income. Additional documentation is required to verify the expenses for non-owner occupied properties that are not the subject of the mortgage loan insurance application).

**Genworth Owner Occupied Rental Income:**

- Maximum GDS/TDS:
- Where beacon < 680: GDS = 35%; TDS = 42%
- Where Beacon 680+: TDS = 44%, there is no GDS requirement.

**Conventional Owner Occupied Rental Properties:**

- The lender will use 80% rental off-set
- **TDS calculation:**  

$$\text{TDS} = \frac{\text{PIT all properties} + \text{All other debt Obligations} - 80\% \text{ of Gross Rental Income all properties}}{\text{Gross Annual Employment Income}}$$

- Also include 50% of condo fees when applicable

### **High Ratio Owner Occupied Rental Properties:**

- 50% of rental income for subject property can be added to the total income

### **High Ratio Other Rental properties:**

- Rental income to be confirmed with recent T1 generals
- If there is a rental surplus, this amount can be added to the borrowers gross annual income
- If there is a shortfall – the shortfall is added to “other monthly obligations”
- Where rental income cannot be validated with T1 generals, the full principal, interest and taxes must be included in “other Monthly Obligations” as well as 50% of condo fees if applicable and 50% of gross rental income added to borrower’s gross annual income

### **Genworth Rental Property Income:**

- Maximum 40% TDS
- **80% rental offset for subject property and rental properties**
- **TDS Calculation:**  
TDS= PIT all properties + All other debt Obligations – 80% of Gross Rental Income all properties

#### **Gross Annual Household Income**

- **Genworth PIT:** Also include 50% of condo fees
- **Rental Income**
  - The lesser of actual rent (confirmed by leases) or fair market rent as determined by an approved appraiser
  - Income from a non-conforming basement suite will be considered on an exception basis only and is typically not used.
- Down payment from borrower's own resources
- Personal guarantees are required when the borrower is not an individual (e.g. corporate entity). Articles of incorporation, Borrowing resolution or borrowing by-law are also required. Personal guarantee must cover 100% of the mortgage loan. The company must be a holding company and not an operating company.
- The personal guarantee cannot be released without prior consent from the mortgage insurer
- Two (2) trade lines with at least two (2) years history

### **Non-Taxable Income**

Common Types of Eligible Non-Taxable Income:

### **Indian Act Exemption for Employment Income (On-Reserve Income)**

- Income can be grossed up by 35% if non taxable income is \$30,000 or greater and 25% if non taxable income is less than \$30,000 Letter of Employment from the Band Chief
- OR

- Require both of the following for
- Conventional Mortgages:
- Average of 2 most recent years Notice of Assessments. If most recent year is lower, the lower amount will be utilized to qualify
- Must confirm income is non-taxable

**Require both of the following for Insured Mortgages:**

- Average of last 2 years income confirmed by Notices of Assessments. If most recent year is lower, the lower amount will be utilized to qualify
- Must confirm income is non-taxable

**Non-Taxable Pension Income and Disability Income - provided by either private or government and guaranteed for the life of the applicant**

**Require one of the following:**

- Letter of Employment
- Payroll statement/Pay Stub
- Pension statements
- Direct deposit proof (ie bank statements, passbook, internet banking statements)

**Disability Income:**

- Letter from institution paying the disability income indicating the disability is permanent and the disability income is guaranteed for the life of the applicant

**For the purposes of calculating GDS/TDS:**

- Applicable to your Deal: Non-taxable income less than \$30,000 is eligible for an income gross up of 25%
- Applicable to your Deal: Non-taxable income of \$30,000 or more is eligible for an income gross up of 35%

**Workers Compensation Payments**

**Require both of the following:**

- Letter from institution paying the worker's compensation benefits
- Payroll statement/Pay Stub

**For the purposes of calculating GDS/TDS:**

- Applicable to your Deal: Non-taxable income less than \$30,000 is eligible for an income gross up of 25%
- Applicable to your Deal: Gross up of non-taxable income of \$30,000 or more is eligible for an income gross up of 35%

**Grossing up Non Taxable Income**

Eligible non taxable income can be grossed-up for the purposes of calculating GDS/TDS ratios, based on the following two-tier gross up approach:

1. Borrowers with non-taxable income less than \$30,000 are eligible to have their non-taxable income grossed-up by 25%
2. Borrowers with non-taxable income of \$30,000 or more, are eligible to have their non-taxable income grossed-up by 35%

### **Down Payment Confirmation**

The applicant(s) must be able to provide the minimum down payment from their own resources without borrowing. See product/program specific guidelines as they may differ from the aforementioned policy.

### **Minimum Equity**

#### ***Insured Mortgages***

- Minimum 5% of the purchase price for fixed rate mortgages and ARMs. See product/program specific guidelines as they may differ from the aforementioned policy.

#### ***Conventional Mortgages***

- Minimum 10% of the purchase price. The remainder of the total down payment of 20% can come from borrowed sources. Payments for those must be included in the debt service ratios.

### ***Own Resources/Legitimate Source***

Own resources means:

- Bona fide savings of the applicant
- Outright non repayable gift from relatives or employer
- Liquid/Other Assets
- Net Proceeds from the sale of property

### **Verification**

#### **Bona Fide Savings of the Applicant**

- Bank statements, Passbook's or Internet Banking Statements must show savings accumulation over time (minimum 3 months history).
- The authenticity of recent large deposits must be confirmed.

- Ownership of bank statements, passbooks or internet print outs must be further confirmed where the name and account number are NOT clearly noted in the front of the passbook or on the bank statement or internet print out.
- Deposits provided with the Offer to Purchase: If this amount represents a large percentage of the total down payment, further confirmation will be required to ensure funds come from applicant's own resources.

### **Gift From Relative**

- Gift must be from an immediate family member
- Letter of confirmation verifying the gift is unencumbered and requires no re-payment.
- In addition to Gift Letter, verification that the funds are on deposit in the client's account prior to closing must be provided.

### **Liquid/Other Assets**

- Bonds, Securities, and Stocks. RRSP's may also be used, however if not part of the Home Buyer's Plan, may be subject to withholding tax.
- Copies of the client's statements from Financial Institutions showing the description of the assets and the current value. Locked-In RRSPs cannot be used for down payment as they represent pension assets.

### **Net Proceeds from the Sale of Property**

- The actual offer to purchase and sale together with a mortgage statement, if applicable. The offer of sale must be firm (unconditional).
- Real Estate commissions, solicitor fees and other costs associated with the property sale must be considered when calculating the net equity or proceeds from the sale.

### **Closing Costs**

For some insured mortgage products and programs, the client must also provide evidence of cash for closing costs equal to 1.5% of the purchase price. Closing costs may be borrowed provided the payments are included in debt service ratios and based on a maximum amortization of 12 months. See product/program specific guidelines as they may differ from the aforementioned.

### **Guarantors**

MERIX will accept Guarantors for income qualification purposes provided the Guarantor is also on title.

If the guarantor occupies the property, the income will be considered for qualification purposes provided the guarantor is a direct family member. If the guarantor does not reside in the property, MERIX will consider income for GDS/TDS calculation provided the

guarantor is a direct family member and resides in the region where the property is located. Maximum LTV ratio is 95% in cases where the resident applicant's GDS/TDS  $\leq 40\%/50\%$ . Maximum LTV ratio is 90% in cases where the resident applicant's GDS/TDS  $> 40\%/50\%$  and guarantor income and debts brings the GDS/TDS to 32%/40%.

## **Title**

Notwithstanding how title is taken (Joint Tenants vs. Tenants in Common MERIX requires all parties on title to be on the mortgage, and jointly and severally liable for the payment of the entire mortgage debt and the performance of all related obligations.

## **Title Insurance**

MERIX requires lender title insurance on all Mortgages and this is a part of our instructions to the solicitor/closing service.

## **Debt Serviceability**

### **Maximum GDS/TDS Ratios:**

Maximum GDS/TDS:

- Where beacon  $< 680$ : GDS = 35%; TDS = 42%
- Where Beacon 680+: TDS = 44%, there is no GDS requirement.

\*\*\*Qualifying rate may depend on product and term chosen check product and pricing specific policy. Individual Programs may have specific GDS/TDS requirements. Refer to the program details for more information\*\*\*

### **Minimum Beacon Score**

- 600+ up to 80% loan to value purchase and refinance
- 620+ (program specific requirements apply) 80.01% to 95% loan to value purchase
- Refinance transactions 80.01% to 85% 640+

\*\*\*Individual Programs may have specific Beacon score requirements. Refer to the program details for more information\*\*\*

### **Credit History**

- Applicants must have a minimum two years credit history on Credit Bureau. See product and program specific guidelines for specific details.
- Refinance applications require documented evidence of a minimum of 12 months mortgage history from last mortgage activity.
- Credit bureau must be dated within 30 days of submission of the application.

### **Maximum Property Ownership Guideline**

- Borrowers cannot own more than a total of 5 residential properties. This is

- inclusive of the subject property.
- Maximum total loan amount \$1.5 million loan 1 + loan 2 + loan 3 + loan 4 + loan 5 = \$1.5 million.
- A maximum of 4 rental properties is permitted.
- **Example 1:** Borrowers may have one primary residence, 3 rental properties and 1 second home for a total ownership of 5 residential properties.
- **Example 2:** Borrowers may have one primary residence and 4 rental properties for a total ownership of 5 residential properties.

## Minimum Loan Amount

### Minimum Loan Amount:

- \$75,000 for all MERIX mortgages. Product and program specific guidelines apply and may differ from this policy.

## Maximum Loan Amount

### Maximum Loan Amount:

- Any Mortgage in excess of \$1,000,000 requires customer paid mortgage insurance.

## Minimum Amortization

- Minimum amortization is 10 years. Product and program specific guidelines apply and may differ from this policy. This policy does not apply to MERIX renewals.

## Property Taxes

### Property Taxes:

- The **borrower pays** their property taxes directly to their municipality for all MERIX conventional and insured mortgage loans
- MERIX **does not** add on a property tax component in the borrower's mortgage.

## Interest Rate Buy Downs

### Originator Paid Buy Downs:

MERIX permits two methods for Originators to buy down the interest rate on their customer's mortgage:

- Buy down paid for through X Rewards
- Buy down paid by commission deduction

Buy downs through the X Rewards program are subject to the terms and conditions of the program. The credits are deducted when the buy down is requested. In the event the deal does not close, the originator is responsible for notifying MERIX to reimburse the credits.

Buy downs paid for through commission deduction will have the cost of the buy down deducted from their commissions at the time of funding. Commission paid will be net of the cost of the buy down.

In both situations, the Originator must notify MERIX of their intention to buy down the interest rate during the application process. The buy down calculator is available to calculate the cost of the buy down on the MERIX Explore website as well on the [www.xrewards.ca](http://www.xrewards.ca) website for calculating buy downs paid using X rewards.

### **Relocation and Department of National Defense (DND) Employee Subsidies:**

MERIX permits the customer to buy down the rate utilizing corporate relocation or Department of National Defense (DND) employee subsidies. Solicitor is to send funds to the Lender's funding department prior to funding or will result in the buy down cost to be deducted from the advance.

### **MERIX Previous Bankruptcy Policy**

#### **Conventional Financing**

MERIX does not accept previous bankruptcy applications.

### **Property Criteria**

**Note:** Product/program specific guidelines apply and may differ from the following policies.

1. Residential properties with reasonable ground floor area and concrete foundations.
2. New properties or those built within the last 35-40 years which are in good condition.
3. Older properties that are in good repair and are located in good residential areas.
4. Properties having had sufficient improvements to "keep pace with the neighborhood".
5. The housing unit should be representative of the standard normally found in the community.

6. Properties may be fully serviced with municipal water and sanitary sewers, well and septic tank, or a combination of both.
7. The property must be properly designed and in adequate physical condition to be livable for the full duration of the mortgage.
8. There should be some amenities in the area such as bus service, schools, and shopping that will assure buyer interest in a resale situation.
9. Mortgage amortization must be at least 5 years less than the subject property's remaining Economic life for our mortgage purposes.

### **Minimum Square Footage**

- House is  $\geq$  to 800 sq ft (above grade)
- Condo is  $\geq$  to 500 sq ft

Properties smaller than these values require high ratio insurance.

### **Pre-Fabricated Dwellings (Modular/Mobile)**

Pre-fabricated units are usually partially or fully pre-built in a factory and then transported to sites for final construction/assembly. Homes may be modular, panelized, or pre-engineered, and must be CSA approved. These homes will be considered as standard homes and are eligible for all product/program types.

#### **Acceptable forms of pre-fabricated homes:**

- Unit must have been constructed in 1995 or later
- Unit is to be placed on a permanent foundation (Please note: concrete or steel pylons are acceptable forms of foundations, provided the unit is permanently "tied down".)
- Land must be freehold and owned by the applicant
- Unit must **not** be located in a "trailer park" type arrangement
- Unit must be connected to municipal water and sewage systems, or acceptable private well and septic tank sewage disposal systems

#### **Pre-fabricated housing can include:**

- Manufactured homes
- Modular homes
- Panelized component housing
- Pre-engineered component housing
- Mini-homes - Atlantic Region

### **Restricted Properties**

MERIX mortgages will not lend on the following types of properties:

- Fractional Interests
- Co-operative Housing

- Rental Pools
- Life Lease Properties
- Floating Homes
- Boarding Houses/Rooming Houses
- BC Leaky Condos
- Heritage Homes
- Log homes
- Water access only
- Any property that is subject to restrictive covenants

MERIX will consider the following property types on a deal-by-deal basis:

### **Restricted Real Estate Transactions**

- MERIX mortgages will not accept private sales. Property must be MLS listed.

### **Leased Land**

Leased land is acceptable provided the lease is government leased land (municipal and federal) and provided that there are no restrictions to access. The amortization of the mortgage must be 5 years less than the expiry date of the lease.

### **Gated Communities**

All financing for Gated Communities must be insured, including applications where the LTV is 80% or less. The customer will be responsible for paying the insurance premium and the insurer application fee.

### **Appraisal Policy**

#### **Conventional Mortgages**

Owner occupied, income confirmed transactions may have values supported by the MERIX internal property adjudication system. Please review your commitment for the appraisal requirement.

For rental properties, second homes or business for self transactions MERIX requires a full appraisal may be required for both Genworth and CMHC transactions.

Mortgage amortization must be at least 5 years less than the subject property's remaining Economic life for our mortgage purposes.

Drive-by appraisals are not acceptable.

Appraisals must be equal to or less than 3 months old when presented to the Underwriter for review, if not, a new report will be required.

Financing up to 80% of the lesser of the Appraised Value or Purchase Price is permitted.

MERIX does not use a sliding scale to determine property value.

### **Approved Appraisers:**

MERIX encourages that all appraisals be completed through Solidifi, who manages the Approved MERIX Appraiser list and allows MERIX Originators to pay for their appraisals using X REWARDS.

To sign up with Solidifi as an Originator free of charge, please go to [www.solidifi.com](http://www.solidifi.com) to complete the registration process.

Once registered, you can access the MERIX appraisal ordering portal (powered by Solidifi) MERIX also accepts appraisals completed through Nationwide Appraisal Services (NAS).

To sign up with NAS free of charge, please send an email to [support@nationwideappraisals.com](mailto:support@nationwideappraisals.com) to receive a personalized username and password.

MERIX will also accept appraisals completed outside of Solidifi or NAS where **the appraisal has been completed and signed off by accredited AACI or CRA appraisers.** For any appraisal completed outside of Solidifi or NAS, MERIX will validate the accreditation of the appraiser before accepting/approving the appraisal.

### **Insured Mortgages**

Property valuation is completed by the insurer.

### **Small Communities**

Insurance is required for all properties located in or near non-urban centres with population bases < 5,000 AND > 50 km from an urban centre. The Insurance requirement may be waived if LTV is ≤ 50% based on a full appraisal.

### **Acreage properties**

Appraisals will be based on the house and 10 acres only - no outbuildings.

- Maximum of 10 acres used in the valuation.
- Maximum property size to be 50 acres, properties over 50 acres treated on exception basis.
- No outbuildings of an agricultural nature, oversized garages are permitted
- Full appraisal to be ordered through / validated by Solidifi. Appraiser to confirm land not used for farming and land best suited for residential
- Borrower's income not being derived from the property
- Minimum 680 Beacon
- Signed Statutory Declaration that they will not be using the property for agricultural purposes